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Department of the Treasury
Internal Revenue Service

ORIGINAL

1985 Instructions for preparing Form 1040

and instructions for

Schedules A, B, C, D, E, F, and SE

(Tax Table—pages 37-42)

COMPLETED

From the Commissioner

Here is the information you need to prepare Form 1040 and related schedules. You may, however, be able to file one of our shorter forms, Form 1040A or 1040EZ, instead. Check "Which Form To File" on page 3 of the instructions to see which form you should use this year.

There have been a number of changes to the forms this year because of tax law changes that are effective for 1985. Most importantly, the Tax Table and Tax Rate Schedules have been adjusted so that inflation will not increase your tax. Similarly, the amount allowed as a deduction for each exemption has been increased to $1,040 and the zero bracket amounts for all filing statuses have been increased. Other major changes are explained on page 2 under "Important Tax Law Changes." I urge you to read these carefully before you begin to prepare your return this year.

Be sure to report all your income. In fairness to the vast majority of taxpayers who correctly report all their income, we make every effort to identify others who understate their income. If we must increase your tax liability after you file your return, it can be more costly for you than accurate reporting when you file because of interest and penalties you may be charged.

Many people find that rounding off cents to whole dollars makes calculations easier. Rounding is easy too. Just drop amounts under 50 cents and increase amounts that are 50 cents or more to the next whole dollar. See the instructions on page 8.

After completing your return, check to make sure it is correct, sign it, and mail it early. Please be sure to keep a copy for your records. If you have any suggestions for improving the forms or instructions, please write and let us know.

Finally, last year some of you received your refunds later than usual because of problems that arose from major changes we made to our returns processing system. We regret the difficulties and inconvenience that resulted. The changes were necessary to enable us to keep pace with increased demands on our employees and equipment. We believe that last year's problems have been resolved, and we are continuing to make every effort to improve the level of service to the public.

Roscoe L. Egger, Jr.
Commissioner of Internal Revenue

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Important Tax Law Changes

Exemption for Children of Divorced or Separated Parents. Generally, for 1985, if you did not have custody of your child, you may claim that child as your dependent only if:

- the parent who had custody of that child waives the right to claim the exemption by completing **Form 8332,** Release of Claim to Exemption for Child of Divorced or Separated Parents, and you attach that form to your tax return, **OR**
- a divorce decree or written agreement executed before 1985 states that you are entitled to claim the child's exemption, and you paid at least $600 for the child's support.

For more details, see **Children of Divorced or Separated Parents** on page 7.

Alimony. If you received alimony or separate maintenance payments in 1985, you must let the payer know your social security number. If you deduct alimony you paid, you must show the recipient's social security number on your tax return. Also, for divorce or separation instruments executed after 1984, new rules apply in determining whether the payments qualify as alimony. If you received alimony, see the instructions for line 11 on page 9 for more details. If you paid alimony, see the instructions for line 29 on page 12 for more details.

Deduction for Charitable Contributions. Generally, for 1985, if you do not itemize your deductions, you may deduct one-half of your qualified charitable contributions. New rules also apply if you made contributions of property other than cash. See the instructions for lines 34b through 34e on page 14 for more details.

Earned Income Credit. For 1985, the income limit has increased to $11,000. See the instructions for line 59 on page 16 for more details.

New Information Required for Business Use of Vehicles. Beginning in 1985, you must answer certain questions on **Form 2106,** Employee Business Expenses, if you were an employee and you claim a deduction for business use of an auto or a light truck. Get Form 2106 for more details. Similar questions are on **Form 4562,** Depreciation and Amortization, for other persons who use a vehicle in their business.

Important Reminders

Estimated Tax Payments—Retirees and Others With Income Not Subject to Income Tax Withholding. If you have income generally not subject to income tax withholding (such as interest, dividends, pensions, or capital gains), you may have to make estimated tax payments. If you do not pay enough estimated tax or do not have enough tax withheld, you may be charged a penalty. For more details, get **Publication 505,** Tax Withholding and Estimated Tax.

Social Security Benefits May Be Taxable. If you received social security benefits, part of these benefits may be taxable under certain conditions. Be sure to read the **IRS Notice 703** that you should get from the Social Security Administration with **Form SSA-1099** by January 31, 1986. See the instructions for lines 21a and 21b that begin on page 10.

Could You Pay Less Tax by Income Averaging? If there has been a large increase in your income this year, you may be able to pay less tax by using the income averaging method to figure your tax. Get **Schedule G** (Form 1040) to see if you qualify.

Tax Shelter Registration Number. A person who sells (or otherwise transfers) to you an interest in a tax shelter must maintain a list of investors and give you the tax shelter registration number assigned to the tax shelter. You must attach to your tax return **Form 8271,** Investor Reporting of Tax Shelter Registration Number, to report this number. Penalties are provided if you fail to report this number on your tax return.

Do You Want More or Less Income Tax Withheld in 1986? If the refund you receive is large, you may want to decrease your withholding for 1986. If you are a working married couple, or had two or more jobs, or had income not subject to withholding, you may need to have more tax withheld to avoid owing IRS a large amount. See **Income Tax Withholding for 1986** on page 17 for more details.

Employment Taxes for Household Employers. If you have a household employee, both you and the employee may have to pay a share of the social security tax on the employee's wages. You may also have to pay Federal unemployment tax, which is for your employee's unemployment insurance. For more details, get **Publication 503,** Child and Dependent Care Credit, and Employment Taxes for Household Employers.

Assembling Your Return. Attach all schedules and forms in order of the "sequence number" that is shown below the year in the upper right corner of the schedule or form. Attach other forms in numerical order and any additional information sheets at the end of your return. See **Step 6** on page 4 for more details.

Voluntary Contributions To Reduce the Public Debt. We often receive inquiries about how people may make voluntary contributions to reduce the public debt. If you wish to contribute, just enclose in your tax return envelope a separate check made payable to "Bureau of the Public Debt." Subject to the limitations on charitable contributions, you may deduct this contribution on your 1986 tax return. But please be sure to keep your contribution to reduce the public debt separate from any amount you owe on your tax return. Make your check for taxes payable to "Internal Revenue Service."

Mailing Your Return. If you received an envelope with your forms booklet, please use it. Otherwise, see **Where To File** on page 18. You may be filing your return with a different Service Center this year because the IRS has changed the filing location for several areas.

Telephone Service for Tax Refund Information. If it has been at least 10 weeks since you mailed your 1985 tax return, you may be able to call a special telephone number for your area to find out the status of your income tax refund. For details on how to use this service, see **How To Use Tele-Tax Information** (the page numbers are in the index).

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How To Use This Instruction Booklet

The instructions are divided into 5 main sections.

- **Section 1** contains information on who must file, how to choose the correct form to use, and when to file a return.
- **Section 2** contains helpful steps to get you ready to prepare your return.
- **Section 3** contains line-by-line instructions for most of the lines on the return.
- **Section 4** contains general information.
- **Section 5** contains instructions for most of the lines on many of the schedules that may be attached to Form 1040.

If you follow the steps in Section 2 and the line-by-line instructions in Section 3, we feel you can fill in your return quickly and accurately. You may also find some of the publications and **Tele-Tax Information** listed in the instructions helpful.

Section 1

Filing Information

First, be sure you need to file a tax return.

Your marital status, filing status, age, and gross income determine whether you have to file a tax return. Gross income usually means money, goods, and property you received on which you must pay tax. It does not include nontaxable benefits. See pages 7 and 8 of the instructions to find out which types of income you should include.

Use the following chart to see whether you **must file a tax return.**

Who Must File

You must file a tax return if—

Your marital status at the end of 1985 was:	and your filing status is:	and at the end of 1985 you were:	and your gross income was at least:
Single (including divorced and legally separated)	Single or Head of household	under 65	$3,430
		65 or over	$4,470
Married with a dependent child (or a child whom you cannot claim as a dependent because of the rules on page 7 for **Children of Divorced or Separated Parents**) and living apart from your spouse during last 6 months of 1985	Head of household	under 65	$3,430
		65 or over	$4,470
Married and living with your spouse at end of 1985 (or on the date your spouse died)	Married, joint return	under 65 (both spouses)	$5,620
		65 or over (one spouse)	$6,660
		65 or over (both spouses)	$7,700
	Married, separate return	any age	$1,040
Married, not living with your spouse at end of 1985	Married, joint return or separate return	any age	$1,040
Widowed in 1984 or 1983 and not remarried in 1985	Single or Head of household	under 65	$3,430
		65 or over	$4,470
	Qualifying widow(er) with dependent child	under 65	$4,580
		65 or over	$5,620
Widowed before 1983 and not remarried in 1985	Single or Head of household	under 65	$3,430
		65 or over	$4,470

Other Filing Requirements. Even if your income was less than the amounts shown above, you must file a return if any one of the following applied for 1985:

- You could be claimed as a dependent on your parents' return and you had $1,040 or more in income that was not earned income—for example, taxable interest and dividends.
- You owe any special taxes, such as:
  - — social security tax on tips you did not report to your employer;
  - — uncollected social security tax or RRTA tax on tips you reported to your employer;
  - — alternative minimum tax;
  - — tax on an Individual Retirement Arrangement (IRA); or
  - — tax from recapture of investment credit.
- You received any advance earned income credit (EIC) payments from your employer(s).
- You had net earnings from self-employment income of at least $400.
- You had wages of $100 or more from a church or qualified church-controlled organization that is exempt from employer social security taxes.
- You exclude income from sources within U.S. possessions and your gross income was at least $1,040.

These rules apply to all U. S. citizens and resident aliens. They also apply to nonresident aliens and dual-status aliens who are married to U.S. citizens or residents at the end of 1985 and who have elected to be treated as resident aliens.

If you were a nonresident alien at any time during 1985 (except as mentioned above), different rules apply. You may have to file **Form 1040NR,** U.S. Nonresident Alien Income Tax Return. Also get **Publication 519,** U.S. Tax Guide for Aliens.

***Note:** Beginning in 1985, specific rules apply to determine if you are a resident or nonresident alien. See Publication 519 for details.*

Who Should File

Even if you do not have to file, you should file to get a refund if Federal income tax was withheld from any payments to you. Also file if you can take the earned income credit. If you file for either of these reasons only, you may be able to use Form 1040A (or in some instances, Form 1040EZ).

When To File

You should file as soon as you can after January 1, but not later than April 15, 1986.

If you file late, you may have to pay penalties and interest. Please see the instructions for **Penalties and Interest** on page 18.

If you know that you cannot file by the due date, you should ask for an extension using **Form 4868,** Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.

***Note:** Form 4868 does not extend the time to pay your income tax. See the instructions for Form 4868.*

If you are living or traveling outside the United States and Puerto Rico on April 15, you can get an automatic 2-month extension of time to file. Just attach a statement to your return explaining the details.

Which Form To File

You MAY Be Able To Use Form 1040EZ If:

- You were single and claim only your own personal exemption.
- You had **only** wages, salaries, and tips, and not more than $400 of interest income.

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- Your taxable income is less than $50,000.
- You do not itemize deductions or claim any adjustments to income or tax credits.

You can use Form 1040EZ to deduct part of certain charitable contributions.

You MAY Be Able To Use Form 1040A If:

- You had income only from wages, salaries, tips, unemployment compensation, interest, or dividends.
- Your taxable income is less than $50,000.
- You do not itemize deductions.

You can also use Form 1040A to claim the deduction for a married couple when both work, the deduction for certain contributions to an Individual Retirement Arrangement (IRA), the credit for child and dependent care expenses, and the partial deduction for charitable contributions.

Since Forms 1040A and 1040EZ are easier to complete than Form 1040, you should use one of them unless using Form 1040 lets you pay less tax. However, even if you meet the above tests, you must file Form 1040 if any of the following situations applies to you.

You MUST Use Form 1040 If:

- Your taxable income is $50,000 or more.
- You itemize deductions. (Read line 34a instructions that begin on page 13 to see if it would benefit you to itemize.)
- Your spouse files a separate return and itemizes deductions. Exception: You may still use Form 1040A if you have a child and can meet the tests on page 5 under **Married Persons Who Live Apart.**
- You can be claimed as a dependent on your parents' return **AND** you had interest, dividends, or other unearned income of $1,040 or more.
- You are a qualifying widow(er) with a dependent child.
- You were a nonresident alien during any part of 1985 and do not file a joint return. (You may have to file **Form 1040NR**.)
- You were married at the end of 1985 to a nonresident alien who had U.S. source income and who has not elected to be treated as a resident alien. Exception: You may be able to use Form 1040A if you meet the tests on page 5 under **Married Persons Who Live Apart.**
- You received taxable social security benefits or tier 1 railroad retirement benefits.
- You received interest as a nominee.
- You received or paid accrued interest on securities transferred between interest payment dates.
- You received any nontaxable dividends, capital gain distributions, dividends as a nominee, or you elect to exclude qualified reinvested dividends from a qualified public utility.
- You are required to fill in Part III of Schedule B for foreign accounts and foreign trusts (see page 23 of the instructions).
- You take any of the adjustments to income shown on Form 1040, lines 24, 25, 27, 28, 29, or any write-in amount included on line 31.
- You claim any of the credits on Form 1040, lines 42, 43, 47, 48, or any write-in credit included on lines 45 or 49.
- You owe any of the taxes on Form 1040, lines 39, 51 through 55, or any write-in amount included on line 56 (other than advance EIC payments).
- You claim any of the payments on Form 1040, lines 58, 62, 63, or any write-in amount included on lines 63 or 64.
- You file any of these forms:

Form 1040-ES, Estimated Tax for Individuals, for 1985 (or if you want to apply any part of your 1985 overpayment to estimated tax for 1986).

Schedule G, Income Averaging.

Form 2210, Underpayment of Estimated Tax by Individuals.

Form 2555, Foreign Earned Income.

Form 4563, Exclusion of Income From Sources in United States Possessions.

Form 8271, Investor Reporting of Tax Shelter Registration Number.

Section 2

Steps for Preparing Your Return

Follow the six useful steps below to help you prepare your return. If you follow these steps and read the line-by-line instructions, we feel that you can fill in your return quickly and accurately.

Step 1

Get all of your records together.

Income Records. These include any Forms **W-2, W-2G, W-2P,** and **1099** that you may have. If you don't get a Form W-2 by January 31, or if the one you get isn't correct, please contact your employer as soon as possible. Only your employer can give you a Form W-2, or correct it. If you cannot get a Form W-2 by February 15, call the toll-free telephone number listed in the instructions for your area.

If you have someone prepare your return for you, make sure that person has all your income and expense records so he or she can fill in your return correctly. Remember, if someone else prepares your return incorrectly—you are still responsible.

Itemized Deductions and Tax Credits. Pages 14 through 22 of these instructions tell you what credits and itemized deductions you can take. Some of the records you may need are:

- Medical and dental payment records.
- Real estate and personal property tax receipts.
- Interest payment records for items such as a home mortgage, car, or appliances.
- Records of payments for child and dependent care so you could work.

Step 2

Get any forms, schedules, or publications you need.

In general, we mail forms and schedules to you based on what you filed last year. Before you fill in your return, look it over to see if you need more forms or schedules.

If you think you will need any other forms, get them before you start to fill in your return. Your local bank, post office, or public library may have some of them. Or, you can use the order blank on the next to the last page of this instruction booklet. We will send you the forms, schedules, instructions, and publications you ask for.

Step 3

Check your return to make sure it is correct.

Step 4

Use the mailing label we sent you.

The label helps us identify your account and saves processing time.

Step 5

Sign and date your return.

Form 1040 is not considered a return unless you sign it. Your spouse must also sign if it is a joint return.

Step 6

Attach all necessary forms and schedules.

Attach the first copy or Copy B of Forms W-2, W-2G, and W-2P to the front of Form 1040. Attach schedules and forms in "sequence number" order. The number is just below the year in the upper right corner of the schedule or form.

If you need more space on forms or schedules, attach separate sheets and use the same format as the printed forms, but show your totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Be sure to put your name and social security number on these separate sheets and attach them at the end of your return.

If you owe tax, be sure to attach your payment to the front of Form 1040.

Use the envelope we sent you. Envelopes with insufficient postage will be returned by the post office.

Section 3

Line-By-Line Instructions

Name, Address, and Social Security Number Blocks

Please use the mailing label from the forms booklet we sent you. But don't attach your label to your return until you complete the return. Make sure the label is correct. If it isn't, mark through the label and make corrections on the label. Show your apartment number if you have one. If you do not have a label, print or type your name, address, and social security number.

If the label is for a joint return and the social security numbers are not listed in the same order as the first names, show the numbers in the correct order.

***Note:** If the post office delivers mail to your P.O. box number rather than to your street address, use your P.O. box number instead of your street address.*

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Social Security Number. If you are married, give social security numbers for both you and your spouse whether you file joint or separate returns.

If your spouse is a nonresident alien, has no income, does not have a social security number, and you file a separate return, write "NRA" in the block for your spouse's social security number. If you and your spouse file a joint return, your spouse must get a social security number.

If you don't have a social security number, please get **Form SS-5** from a Social Security Administration (SSA) office. File it with your local SSA office early enough to get your number before April 15. If you do not get the number by then, file your return and write "Applied for" in the block for your social security number.

Name Change. If you have changed your name because of marriage, divorce, etc., make sure you immediately notify the Social Security Administration (SSA) so the name on your tax return is the same as the name SSA has on its records. This may prevent delays in issuing your refund.

Joint Return. If you are married, filing a joint return, show the social security numbers in the same order that you show your first names. If you are filing a joint return and have different last names, please separate the names with an "and." For example: "John Brown and Mary Smith."

Remember to show your occupation(s) in the spaces in the upper right corner just below the social security number blocks.

Presidential Election Campaign Fund

Congress established this fund to support public financing of Presidential election campaigns.

You may have $1 go to the fund by checking the **Yes** box. On a joint return, each of you may choose to have $1 go to this fund, or each may choose not to. One may choose to have $1 go to this fund and the other may choose not to.

If you check **Yes,** it will not change the tax or refund shown on your return.

Do not claim this amount as a credit for political contributions on line 44.

Filing Status

Lines 1 through 5 Boxes

Single

Consider yourself single if on December 31 you were unmarried or separated from your spouse either by divorce or separate maintenance decree and you do not qualify for another filing status. State law governs whether you are married, divorced, or legally separated.

If you were married on December 31, consider yourself married for the whole year. If you meet the tests explained on this page for **Married Persons Who Live Apart,** you may consider yourself single for the whole year and file as head of household.

If your spouse died during 1985, consider yourself married to that spouse for the whole year, unless you remarried before the end of 1985.

Married

Joint or Separate Returns?

Joint Returns. Most married couples will pay less tax if they file a joint return. You must report all income, exemptions, deductions, and credits for you and your spouse. Both of you must sign the return, even if only one of you had income.

You and your spouse can file a joint return even if you did not live together for the whole year. Both of you are responsible for any tax due on a joint return, so if one of you does not pay, the other may have to.

Note: *If you file a joint return, you may not, after the due date of the return, choose to file separate returns for that year.*

If your spouse died in 1985, you can file a joint return for 1985. You can also file a joint return if your spouse died in 1986 before filing a 1985 return. For details on how to file the joint return, see **Death of Taxpayer** on page 19.

Tax Tip: *If you decide not to file a joint return and plan to file a separate return, see if you can lower your tax by meeting the tests described on this page under* ***Married Persons Who Live Apart.***

Special Rule for Aliens.—If at the end of 1985, you were a nonresident alien or dual-status alien married to a citizen or resident of the United States, you may be able to file a joint return with your spouse. If you do file a joint return, you and your spouse must agree to be taxed on your combined worldwide income. For more details, get **Publication 519,** U.S. Tax Guide for Aliens.

Separate Returns. You can file separate returns if both you and your spouse had income, or if only one of you had income.

If you file a separate return, you each report only your own income, exemptions, deductions, and credits, and you are responsible only for the tax due on your own return.

Special rules apply, however, for taxpayers who live in community property states. For details, get **Publication 555.**

In most instances if you file a separate return, you will pay more Federal tax because the tax rate is higher for married persons filing separately. The following also apply:

- You cannot take the deduction for a married couple when both work.
- You cannot take the credit for child and dependent care expenses in most cases.
- You cannot take the earned income credit.
- If you lived with your spouse at any time in 1985—

a. You will have to include in income more of any unemployment compensation you received in 1985.

b. You cannot take the credit for the elderly and the permanently and totally disabled.

c. You may have to include in income up to one-half of any social security benefits (including any tier 1 railroad retirement benefits) you received in 1985.

- You must itemize your deductions if your spouse itemizes, even if it is not to your tax benefit to itemize deductions.

If you file a separate return, write your spouse's full name in the space after Box 3 and your spouse's social security number in the block provided for that number.

If your spouse does not file, check the boxes on line 6b that apply if you can claim the exemptions for your spouse. Please see **For Your Spouse** on page 6.

Married Persons Who Live Apart. Some married persons who have a child and who do not live with their spouse may file as head of household and use tax rates that are lower than the rates for single or for married filing a separate return. This also means that if your spouse itemizes deductions, you do not have to. You may also be able to claim the earned income credit.

You should check Box 4, Head of household, if you meet **ALL** 4 of the following tests:

1. You file a separate return from your spouse.

2. You paid more than half the cost to keep up your home in 1985.

3. Your spouse did not live with you at any time during the last 6 months of 1985.

4. For over 6 months of 1985, your home was the principal home of your child or stepchild whom—

a. you can claim as a dependent, **OR**

b. the child's other parent claims as a dependent under the rules explained on page 7 for **Children of Divorced or Separated Parents.** (Write this child's name in the space provided on line 4.)

Head of Household

Tax Tip: *The tax rates for a person who can meet the tests for head of household are lower than the rates for single or for married filing a separate return.*

You may use this filing status **ONLY IF** on December 31, 1985, you were unmarried (including certain married persons who live apart, as discussed above) or legally separated and meet test **1** or **2** below:

1. You paid more than half the cost of keeping up a home, which was the principal home of your father or mother whom you can claim as a dependent. **OR**

2. You paid more than half the cost of keeping up the home in which you lived and in which one of the following also lived for more than 6 months of the year (except for temporary absences, such as for vacation or school):

a. Your **unmarried** child, grandchild, adopted child, or stepchild. This child does not have to be your dependent. However, your foster child must be your dependent.

Note: *If this child is not your dependent, you must write the child's name in the space provided on line 4.*

b. Your **married** child, grandchild, adopted child, or stepchild. This child must be your dependent. But if your married child's other parent claims him or her as a dependent under the rules on page 7 for **Children of Divorced or Separated Parents,** this child does not have to be your dependent. (If your child is not your dependent because of these rules, you must write the child's name in the space provided on line 4.)

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c. Any other relative listed below whom you can claim as a dependent.

Parent	Brother-in-law
Grandparent	Sister-in-law
Brother	Son-in-law
Sister	Daughter-in-law, or
Stepbrother	if related by blood:
Stepsister	Uncle
Stepmother	Aunt
Stepfather	Nephew
Mother-in-law	Niece
Father-in-law	

Note: *See instructions for lines 6c through 6e below for the definition of dependent.*

Special rules

- If you receive payments under the Aid to Families with Dependent Children (AFDC) program and use them to pay part of the cost of keeping up this home, you may not count these amounts as furnished by you.
- You cannot file as head of household if you claim a relative in **1** or **2** on page 5 as a dependent under a **Multiple Support Declaration.** (See page 7 for details on dependents supported by two or more taxpayers.)

Qualifying Widow or Widower With a Dependent Child

If your spouse died in 1984 or 1983 and you did not remarry in 1985, you may be able to use joint return tax rates for 1985. You can figure your tax at joint return rates if you meet **ALL** 3 of the following tests:

1. You could have filed a joint return with your spouse for the year your spouse died, even if you didn't actually do so.

2. Your dependent child, stepchild, adopted child or foster child lived with you (except for temporary absences, such as for vacation or school).

3. You paid over half the cost of keeping up the home for this child for the whole year.

Check Box 5, Qualifying widow(er) with dependent child, and show the year your spouse died in the space provided. **Do not** claim an exemption for your spouse.

If your spouse died before 1983 and you were single in 1985, you may check Box 4 if you met the tests under **Head of Household.** Otherwise you must file as single.

Exemptions

Line 6a Boxes

For Yourself

You can always take one exemption for yourself. Take two exemptions if you were blind, or 65 or over. Take three exemptions if you were blind and 65 or over. Be sure to check all the boxes on line 6a for the exemptions you can take for yourself.

You can take the extra exemptions for age 65 or over and blindness only for yourself and your spouse. You cannot take them for dependents.

Age and blindness are determined as of December 31. However, if your 65th birthday was on January 1, 1986, you can take the extra exemption for age for 1985.

Proof of Blindness. If you are completely blind, attach a statement to your return to this effect.

In cases of partial blindness, you must attach to your return each year a certified statement from an eye physician or registered optometrist that:

a. You cannot see better than 20/200 in the better eye with glasses, or contact lenses, or

b. Your field of vision is not more than 20 degrees.

If this eye condition will never improve beyond the standards in **a** or **b**, you may submit a certified opinion to this effect from an examining eye physician. You must attach this certification to your return only once. In later years you can just include a statement referring to it.

Line 6b Boxes

For Your Spouse

You can take exemptions for your spouse if you file a joint return. If you file a separate return, you can take your spouse's exemptions only if your spouse is not filing a return, had no income, and was not the dependent of someone else.

Your spouse's exemptions are like your own. Take one exemption for your spouse if your spouse was neither blind nor 65 or over. Take two exemptions if your spouse was blind or 65 or over. Take three exemptions if your spouse was blind and 65 or over. Be sure to check all the boxes on line 6b for the exemptions you can take for your spouse.

If at the end of 1985, you were divorced or legally separated, you cannot take an exemption for your former spouse. If you were separated by a divorce that is not final (interlocutory decree), you are considered married for the whole year.

If your spouse died during 1985 and you did not remarry before the end of 1985, check the boxes for the exemptions you could have taken for your spouse on the date of death.

Nonresident Alien Spouse. If you do not file a joint return, you may claim your spouse's exemptions only if your spouse had no income from United States sources and is not the dependent of another taxpayer. Use the boxes on line 6b to claim exemptions for a nonresident alien spouse. When claiming your spouse's exemption, please write "NRA" above the word Spouse on line 6b.

Lines 6c through 6e

Children and Other Dependents

Line 6c. Enter the first names of your dependent children who lived with you (except for temporary absences, such as for vacation or school). Fill in the total number in the box to the right of the arrow.

Line 6d. Enter the first names of your dependent children who did not live with you most of the year. Fill in the total number in the box on the right. If you are claiming a child under the rules explained on page 7 for **Children of Divorced or Separated Parents,** you must either:

- attach **Form 8332,** Release of Claim to Exemption for Child of Divorced or Separated Parents, or similar statement, **OR**
- check the box for pre-1985 agreements.

Line 6e. Enter the full names and other information for your other dependents. Fill in the total number in the box to the right of the arrow. You can take an exemption for each person who is your dependent.

Birth or Death of Dependent. You can take an exemption for a dependent who was born or who died during 1985 if he or she met the tests for a dependent while alive. This means that a baby who lived only a few minutes can be claimed as a dependent.

For more information, please get **Publication 501,** Exemptions.

Each person you claim as a dependent has to meet **ALL** 5 of these tests:

1. income;
2. support;
3. married dependent;
4. citizenship or residence; and
5. relationship.

These tests are explained below.

1. Income

In general, the person must have received less than $1,040 of gross income. Gross income does not include nontaxable income, such as welfare benefits or nontaxable social security benefits.

Beginning in 1985, income received by a permanently and totally disabled person for services performed at a sheltered workshop school is not included in gross income for purposes of the income test if:

- the medical care available at the workshop was the main reason the person was there, and
- the income was earned from activities at the workshop that were incident to the medical care.

See Publication 501 for the definition of a sheltered workshop school.

Special Rules for Your Dependent Child. Even if your child had income of $1,040 or more, you can claim your child as a dependent if tests 2, 3, and 4 below are met, and:

- your child was under 19 at the end of 1985, or
- your child was enrolled as a full-time student at a school during any 5 months of 1985, or
- your child took a full-time, on-farm training course during any 5 months of 1985. (The course had to be given by a school or a state, county, or local government agency.)

The school must have a regular teaching staff, a regular course of study, and a regularly enrolled body of students in attendance.

A school includes:

- elementary, junior, and senior high schools;
- colleges and universities; and
- technical, trade, and mechanical schools.

However, school does not include on-the-job training courses or correspondence schools.

2. Support

In general, you must have given over half of the dependent's support in 1985. If you file a joint return, the support can be from you or your spouse. Even if you did not give over half of the dependent's support, you will be treated as having given over half of the support if you meet the tests explained on page 7 for **Children of Divorced or Separated Parents** or **Dependent Supported by Two or More Taxpayers.**

In figuring total support, you must include money the dependent used for his or her own support, even if this money was

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not taxable (for example, gifts, savings, welfare benefits). If your child was a student, do not include amounts he or she received as scholarships.

Support includes items such as food, a place to live, clothes, medical and dental care, recreation, and education. In figuring support, use the actual cost of these items. However, the cost of a place to live is figured at its fair rental value.

Do not include in support items such as income and social security taxes, premiums for life insurance, or funeral expenses.

Capital items—You must include capital items such as a car or furniture in figuring support, but only if they are actually given to, or bought by, the dependent for his or her use or benefit. Do not include the cost of a capital item for the household or for use by persons other than the dependent.

If you care for a foster child, see **Publication 501** for special rules that apply.

Children of Divorced or Separated Parents. The parent who has custody of a child for most of the year (the custodial parent) can generally take the exemption for that child if the child's parents together paid more than half of the child's support. Beginning in 1985, this general rule also applies to parents who did not live together at any time during the last 6 months of the year. But the parent who does not have custody, or who has the child for the shorter time (the noncustodial parent), may take the exemption if either **a** or **b** below, applies.

a. The custodial parent signs **Form 8332,** Release of Claim to Exemption for Child of Divorced or Separated Parents, or similar statement, agreeing not to claim the child as a dependent for 1985, and the noncustodial parent attaches the form or similar statement, to his or her 1985 tax return, **OR**

b. A decree of divorce or separate maintenance (or a written agreement) that was in effect before 1985 states that the noncustodial parent can take the exemption and he or she gave at least $600 for the child's support in 1985. The noncustodial parent must check the box on line 6d for pre-1985 agreements. (This rule does not apply if the decree or agreement was modified after 1984 to specify that the noncustodial parent cannot claim the exemption.)

***Note:** In figuring support, a parent who has remarried may count the support provided by the new spouse.*

Dependent Supported by Two or More Taxpayers. Sometimes two or more taxpayers together pay more than half of another person's support, but no one alone pays over half of the support. One of the taxpayers may claim the person as a dependent only if the tests for income, married dependent, citizenship or residence, and relationship, discussed on page 6 and this page are met.

In addition, the taxpayer who claims the dependent must:

a. have paid more than 10% of the dependent's support; and

b. attach to his or her tax return a signed **Form 2120,** Multiple Support Declaration, from every other person who paid more than 10% of the support. This form states that the person who signs it will not claim an exemption in 1985 for the person he or she helped to support.

3. Married Dependent

The dependent did not file a joint return. However, if neither the dependent nor the dependent's spouse is required to file, but they file a joint return to get a refund of all tax withheld, you may claim him or her if the other 4 tests are met.

4. Citizenship or Residence

The dependent **must have been** a citizen or resident of the United States, a resident of Canada or Mexico, or an alien child adopted by and living the entire year with a U.S. citizen in a foreign country.

5. Relationship

The dependent met test **a** or **b** below.

a. Was related to you (or your spouse if you are filing a joint return) in one of the following ways:

Child	Stepbrother	Son-in-law
Stepchild	Stepsister	Daughter-in-law
Mother	Stepmother	or, if related by
Father	Stepfather	blood:
Grandparent	Mother-in-law	Uncle
Brother	Father-in-law	Aunt
Sister	Brother-in-law	Nephew
Grandchild	Sister-in-law	Niece

***Note:** Any relationships that have been established by marriage are not ended by death or divorce.*

b. Was any other person who lived in your home as a member of your household for the whole year. **A person is not a member of your household** if at any time during your tax year the relationship between you and that person violates local law.

The word child includes:

- Your son, daughter, stepson, or stepdaughter, or adopted son or daughter.
- A child who lived in your home as a member of your family if placed with you by an authorized placement agency for legal adoption.
- A foster child (any child who lived in your home as a member of your family for the whole year).

Income

Examples of Income You Do Not Report

(Do not include these amounts when you decide if you must file a return.)

Welfare benefits.

Disability retirement payments (and other benefits) paid by the Veterans' Administration.

Workers' compensation benefits, insurance damages, etc., for injury or sickness.

Child support.

Gifts, money, or other property you inherited or that was willed to you.

Dividends on veterans' life insurance.

Life insurance proceeds received because of a person's death.

Interest on certain state and municipal bonds.

Amounts you received from insurance because you lost the use of your home due to fire or other casualty to the extent the amounts were more than the cost of your normal expenses while living in your home. (You must report as income reimbursements for normal living expenses.)

Amounts an employer contributed on your behalf and benefits provided to you as an employee or the spouse or dependent of an employee, under a qualified group legal services plan.

Cancellation of certain student loans where the student, under the terms of the loan, performs certain professional services for any of a broad class of employers.

Examples of Income You Must Report

The following kinds of income should be reported on Form 1040, or related forms and schedules. You may need some of the forms and schedules listed below.

Wages, including salaries, fringe benefits, bonuses, commissions, fees, and tips.

Dividends (Schedule B).

Interest (Schedule B) on:

bank deposits, bonds, notes;

U.S. Savings Bonds;

mortgages on which you receive payments;

tax refunds;

certain arbitrage bonds issued by state and local governments; and

accounts with savings and loan associations, mutual savings banks, credit unions, etc.

In certain instances, part of Federal social security benefits (and tier 1 railroad retirement benefits) may be taxable. (See line 21 instructions on page 10.)

Tier 2 and supplemental annuities under the Railroad Retirement Act.

Original Issue Discount (Schedule B).

Unemployment compensation (insurance). (See page 10.)

Distributions from an Individual Retirement Arrangement (IRA), including SEPs and DECs.

Amounts received in place of wages, from accident and health plans (including sick pay and disability pensions) if your employer paid for the policy.

Bartering income (fair market value of goods or services you received in return for your services).

Business expense reimbursements you received that are more than you spent for these expenses.

Alimony, separate maintenance, or support payments received from and deductible by your spouse or former spouse.

Refunds of state and local taxes if you deducted the taxes in an earlier year and got a tax benefit for them.

Life insurance proceeds from a policy you cashed in if the proceeds are more than the premium you paid.

Profits from businesses and professions (Schedule C).

Your share of profits from partnerships and S corporations (Schedule E).

Profits from farming (Schedule F).

Pensions, annuities, and endowments.

Lump-sum distributions (Form 4972 or Form 5544). (See page 10.)

Gains from the sale or exchange (including barter) of real estate, securities, coins, gold, silver, gems, or other property (Schedule D or Form 4797).

Gains from the sale of your personal residence (Schedule D and Form 2119).

Rents and royalties (Schedule E).

Your share of estate or trust income (Schedule E), including accumulation distributions from trusts (Form 4970).

Prizes and awards (contests, raffles, lottery, and gambling winnings).

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Earned income from sources outside the United States (Form 2555).

Director's fees.

Fees received as an executor or administrator of an estate.

Embezzled or other illegal income.

U.S. Citizens Living Abroad

Generally, foreign source income must be reported. Get **Publication 54,** Tax Guide for U.S. Citizens and Resident Aliens Abroad, for more details.

Community Property States

Community property states are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington.

If you and your spouse live in a community property state, you must follow state law to determine what is community income and what is separate income. However, different rules could apply if:

- you and your spouse lived apart all year,
- you do not file a joint return, and
- no part of the community income you earn is transferred to your spouse.

For details, get **Publication 555,** Community Property and the Federal Income Tax.

Rounding Off to Whole Dollars

You may round off cents to the nearest whole dollar on your return and schedules. But, if you do round off, do so for all amounts. You can drop amounts under 50 cents. Increase amounts from 50 to 99 cents to the next dollar. For example: $1.39 becomes $1 and $2.69 becomes $3.

Line 7

Wages, Salaries, Tips, Etc.

Show the total of all wages, salaries, fees, commissions, tips, bonuses, supplemental unemployment benefits, and other amounts you were paid before taxes, insurance, etc., were taken out. For information on allocated tips, get **Publication 531,** Reporting Income From Tips.

Include in this total:

- The amount that should be shown in Box 10 on **Form W-2**. Report all wages, salaries, and tips you received, even if you do not have a Form W-2.
- Tips received that you did not report to your employer. (Show any social security tax due on these tips on line 54—see the instructions on page 15.)

Note: *If you do not report the full amount of your tip allocation as gross income, you must be able to prove the lesser amount reported with adequate records.*

- Certain disability pensions if you are under age 65.

Note: *Except for certain disability income, pensions shown on* ***Form W-2P*** *are reported on line 16 or line 17a of Form 1040.*

- Payments by insurance companies, etc., not included on Form W-2. If you receive sick pay or a disability payment from anyone other than your employer, and it is not included in the wages shown on Form W-2, include it on line 7. Attach a statement showing the name and address of the payer and amount of sick pay or disability income. (Get **Form W-4S** for information on withholding of Federal income tax from your sick pay.)
- Fair market value of meals and living quarters if given by your employer as a matter of your choice and not for your employer's convenience. Don't report the value of meals given you at work if they were provided for your employer's convenience. Also do not report the value of living quarters you had to accept on your employer's business premises as a condition of employment.
- Strike and lockout benefits paid by a union from union dues. Include cash and the fair market value of goods received. Don't report benefits that were gifts.
- Any amount your employer paid for your moving expenses (including the value of services furnished in kind), whether or not included on Form W-2.

Note: *You must report on line 7 all wages, salaries, etc., paid for your personal services, even if the income was signed over to a trust (including an IRA), another person, a corporation, or a tax-exempt organization.*

For more details on reporting income received in the form of goods, property, meals, stock options, etc., get **Publication 525,** Taxable and Nontaxable Income.

Fringe Benefits. If you used an employer-provided highway motor vehicle for both personal and business use and your employer included 100% of the value of the vehicle in the wages, tips, and other compensation box (Box 10) of your W-2 form, you must use **Form 2106,** Employee Business Expenses, to claim a deduction for the business use of the vehicle. You must report on Form 1040, line 7, the total amount shown in Box 10 of your W-2 form.

For more information on fringe benefits, get Publication 525.

Line 8

Interest Income

Enter your **TOTAL** taxable interest income. If the total interest is more than $400, first fill in Schedule B. (The instructions for Schedule B begin on page 22.)

Report any interest you received or that was credited to your account so you could withdraw it. (It does not have to be entered in your passbook.) Generally, the payer will send you a **Form 1099-INT** or, if applicable, a **Form 1099-OID** for this interest.

If you received interest as a nominee for someone else, see Schedule B instructions on page 22.

Caution: *Be sure to give each payer of interest income your correct social security number. Otherwise, the payer may have to withhold 20% of the interest. You may also be subject to penalties.*

For more information, get **Publication 550,** Investment Income and Expenses.

Examples of Interest Income You MUST Report

Report interest from:

- Accounts (including certificates of deposit and money market accounts) with banks, credit unions, and savings and loan associations.
- Building and loan accounts.
- Notes, loans, and mortgages. Special rules apply to loans with below-market interest rates. Get **Publication 525.**
- Tax refunds (report only the interest on them as interest income).
- Bonds and debentures. Also arbitrage bonds issued by state and local governments after October 9, 1969. (Do not report interest on other state and local bonds and securities.) Also report as interest any gain on the disposition of certain market discount bonds issued to you after July 18, 1984, to the extent of the accrued market discount.
- U.S. Treasury bills, notes, and bonds.
- U.S. Savings Bonds. The interest is the yearly increase in the value of the bond. Interest on Series E or EE bonds can be reported using method **a** or **b** below:

a. Report the total interest when you cash the bonds, or when they reach final maturity and no longer earn interest; **OR**

b. Each year report on your return the yearly increase of the bonds' value.

If you change to method **b,** report the entire increase in all your bonds from the date they were issued. Each year after report only the yearly increase. Once you have used method **b** to report your interest, you must continue to do so for all your U.S. Savings Bonds.

Note: *If you receive for 1985 a Form 1099-INT for U.S. Savings Bond interest, which includes amounts reported before 1985, see Publication 550.*

- Original Issue Discount (OID). This is the difference between the issue price of a debt instrument and the stated redemption price at maturity. If the instrument was issued at a discount after May 27, 1969 (or for certain noncorporate instruments after July 1, 1982), include in your interest income the discount for the part of the year you held it. Also include any stated interest shown on Form 1099-OID.

If you bought debt instruments at original issue and held them for all of 1985 or the part of 1985 that they were outstanding, include in interest income the total OID from Form 1099-OID. If these instruments were outstanding for all of 1985, but you did not hold them for all of 1985, figure your taxable OID as follows:

a. Instruments issued before July 2, 1982—Divide the total OID by 12 and multiply the result by the number of complete and partial months (for example, 6½ months) you held the instruments in 1985.

b. Instruments issued after July 1, 1982—Divide the total OID by 365 and multiply the result by the number of days you held the instruments in 1985, or follow the more detailed rules described in **Publication 1212,** List of Original Issue Discount Instruments.

If you had OID for 1985, but did not receive Form 1099-OID, or if the price you paid for the instrument is more than the issue price plus accumulated OID, get Publication 1212. It provides total OID on the instruments listed and gives computational information.

Line 9a

Dividends

Dividends are distributions of money, stock, or other property that corporations pay to stockholders. They also include dividends

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you receive through a partnership, an S corporation, or an estate or trust. Payers include nominees or other agents. Generally, the payer will send you a **Form 1099-DIV** for these dividends.

If you received dividends as a nominee for someone else, see Schedule B instructions that begin on page 22.

***Caution:** Be sure to give each payer of dividends your correct social security number. Otherwise, the payer may have to withhold 20% of the dividend income. You may also be subject to penalties.*

If the total dividends, including capital gain and nontaxable distributions, are more than $400, or you elect to exclude qualified reinvested dividends from a qualified public utility, first fill in Schedule B. (The instructions for Schedule B begin on page 22.) If you received $400 or less in dividends, include only the ordinary dividends on line 9a.

Dividends Include:

- **Ordinary dividends.** These are paid out of earnings and profits and are ordinary income. Assume that any dividend you receive is an ordinary dividend unless the paying corporation tells you otherwise.
- **Capital gain distributions.** If you have other capital gains or losses, you should also enter your capital gain distributions on Schedule D. If you don't need Schedule D to report any other gains or losses, don't use it. Instead, show 40% of your capital gain distributions on Form 1040, line 14.
- **Nontaxable distributions.** Some distributions are nontaxable because they are a return of your cost. They will not be taxed until you recover your cost. You must reduce your cost (or other basis) by these distributions. After you get back all of your cost (or other basis), you must report these distributions as capital gains.

***Note:** Generally, payments from a Money Market Fund are dividends.*

Do Not Report as Dividends

- Mutual insurance company dividends that reduced the premiums you paid.
- Amounts paid on deposits or accounts from which you could withdraw your money, such as mutual savings banks, cooperative banks, and credit unions. Remember to report these amounts as interest on line 8.

Exclusion for Dividend Reinvestment in Stock of Public Utilities

If you own stock in a qualified public utility and choose to receive your dividends in qualified common stock rather than in cash or other property, you may exclude up to $750 ($1,500 on a joint return) of the qualified common stock dividends distributed to you. See Schedule B instructions for details.

Line 9b

Dividend Exclusion

You can exclude (subtract) up to $100 of qualifying dividend income. If you and your spouse file a joint return, you can subtract up to $200, regardless of which spouse received the dividends.

Dividends must be from a domestic corporation to qualify for the exclusion. Dividends from mutual funds (other than money market funds) generally qualify for the exclusion. The corporation will tell you how much of the dividend qualifies.

The following taxable dividends **do not** qualify for the exclusion.

- Dividends from money market funds unless the corporation has told you how much of the dividends qualify.
- Dividends from foreign corporations, including controlled foreign corporations.
- Dividends from exempt organizations (charitable, fraternal, etc.) and exempt farmers' cooperative organizations.
- Dividends paid on stock held by employee stock ownership plans.

Line 10

Taxable Refunds of State and Local Income Taxes

If you received a refund (or credit or offset) of state or local income taxes in 1985 that you paid before 1985, you may receive **Form 1099-G,** Statement for Recipients of Certain Government Payments, or similar statement, showing the refund. You may have to report all or part of this amount as income if your itemized deduction for state and local income taxes in the year you paid the taxes resulted in a tax benefit.

Do not report the refund as income if it was for a tax you paid in a year for which you did not itemize deductions on Schedule A (Form 1040), or it was for a year in which you filed Form 1040A or Form 1040EZ.

If the refund was for a tax you paid in a year for which you itemized deductions on Schedule A, use the following worksheet to figure the amount, if any, you must report as income for 1985.

However, see **Publication 525,** Taxable and Nontaxable Income, instead of using the worksheet below if any of the following applies:

- The refund you received in 1985 is for a tax year other than 1984.
- You received a refund (other than an income tax refund, such as a real property tax refund) in 1985 of an amount you deducted or credit you claimed in an earlier year.
- Your 1984 taxable income was less than your zero bracket amount.
- Your last payment of 1984 estimated state income tax was made in 1985.

Worksheet (Keep for your records)

1.	Enter the income tax refund from Form(s) 1099-G, or similar statement	_____
2.	Enter the amount from your 1984 Schedule A, line 26	_____
3.	**Taxable part of your refund.** Compare amounts on lines 1 and 2 above, and enter the **smaller** of the two amounts here and on Form 1040, line 10	_____

Line 11

Alimony Received

Enter amounts you received as alimony or separate maintenance. Beginning in 1985, you must let the person who made the payments know your social security number. If you do not provide this information to the payer, you may have to pay a $50 penalty. For more details, get **Publication 504,** Tax Information for Divorced or Separated Individuals.

If you received payments under a divorce or separation instrument executed after 1984, see the instructions for line 29 on page 12 for information on the new rules that apply in determining whether these payments qualify as alimony.

Transfers of Property Between Spouses or Former Spouses. In general, no gain or loss will be recognized on a transfer of property between spouses, or former spouses, if incident to divorce. Get Publication 504 for more details.

Line 14

Capital Gain Distributions

If you do not need Schedule D for other capital transactions, enter 40% of your capital gain distributions on line 14.

Line 15

Other Gains or (Losses)

If you sold or exchanged assets used in a trade or business, see the instructions for **Form 4797.** Enter the gain or (loss) from Form 4797.

Line 16

Fully Taxable Pensions, IRA Distributions, and Annuities

Use this line to report fully taxable pension and annuity income and regular individual retirement arrangement (IRA) distributions you receive. In general, you should receive a **Form W-2P** showing the amount of your pension or annuity.

Your pension or annuity payments are fully taxable if:

- you did not contribute to the cost of your pension or annuity, or
- you got back tax-free your entire cost before 1985.

Fully taxable pensions and annuities also include: military retirement pay shown on Form W-2P, and distributions from an IRA (including premature distributions, but not rollovers).

If you received taxable railroad retirement benefits (other than tier 1 benefits), enter on line 16 the amount from Box 12 of your **Form RRB-W-2P.** If an amount is shown in Box 13 of your form, get **Publication 575,** Pension and Annuity Income, for information on how to report your benefits.

Other pensions and annuities, including rollovers, should be shown on lines 17a and 17b.

For more details, get **Publication 575.**

Lines 17a and 17b

Other Pensions and Annuities, Including Rollovers

Use lines 17a and 17b to report pension and annuity income that is not fully taxable. In general, you should receive a **Form W-2P** showing the amount of your pension or annuity. If your Form W-2P does not show the taxable part of your pension or annuity, you must figure the taxable amount as explained below. Also, use these lines to report distributions from profit-sharing plans, retirement plans, employee-savings plans, and individual retirement arrangement rollovers.

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If you received social security or tier 1 railroad retirement benefits, part of these benefits may be taxable. **Do not** use line 17 to report any of these benefits. Instead, see the instructions for lines 21a and 21b.

The pension, annuity, or employee-savings plan may not be taxable until a later year if:

a. both you and your employer contributed to it, and

b. the total amount you can expect to receive within 3 years from the date you get your first payment equals or exceeds your full cost.

If you meet the requirements of **a** and **b** above, complete the pension and annuity worksheet below to figure the taxable part of your pension or annuity. After you get back your full cost, all payments you receive are fully taxable. Your cost includes amounts you contributed and amounts your employer contributed, which you reported as income.

Example.—You retired in 1985 with a monthly pension of $200. Both you and your employer contributed to it. Your pension cost was $4,925. The amount you can expect to receive within 3 years is $7,200 (36 months × $200 = $7,200). Since this amount is more than your cost, you should exclude your pension until the payments total $4,925. After that, they are fully taxable and you should report them on line 16.

For more information on pensions and annuities, get **Publication 575,** Pension and Annuity Income. Retirees from the Federal government should get **Publication 567,** U.S. Civil Service Retirement and Disability. For information on military disability pensions, get **Publication 525,** Taxable and Nontaxable Income.

Pension and Annuity Worksheet

(Keep for your records)

1a.	Enter your cost	
b.	Cost recovered in prior years	
c.	Subtract line 1b from line 1a	
2.	Amount received this year. Also enter this amount on Form 1040, line 17a	
3.	Amount on line 2 that is not taxable (but not more than line 1c)	
4.	**Taxable part.** Subtract line 3 from line 2. Enter the result here and on Form 1040, line 17b (if zero, enter -0-)	

Note: *If you had more than one pension or annuity that is not fully taxable, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 17b.*

If the amount you expect to receive within 3 years will not equal or exceed your cost, you must use a special method to report your pension or annuity income. For more details, get Publication 575. If you must use this method, enter the amount you received this year on line 17a. Enter the taxable part on line 17b.

Caution: *Certain transactions, such as loans against your interest in a qualified plan, may be taxable distributions and may also be subject to penalties. For more information, see Publication 575.*

Total Distributions From Profit-Sharing, Retirement Plans, and Individual Retirement Arrangements

Rollover Distributions. A "rollover" is a tax-free transfer of cash or other assets from one retirement program to another. For example, there are two kinds of rollovers to an individual retirement arrangement (IRA): (1) a rollover from one IRA to another, and (2) a rollover from a qualified pension or profit-sharing plan to an IRA.

Rollover distributions are reported to you on **Form 1099-R**. For a rollover distribution, enter the total distribution (excluding your nondeductible contribution, if any) on line 17a. If the total on line 17a was rolled over, enter zero on line 17b. Otherwise, enter the taxable part as ordinary income on line 17b.

For more details on IRA rollovers, get **Publication 590,** Individual Retirement Arrangements (IRAs). For details on other rollovers, including distributions under qualified domestic relations orders, get **Publication 575.**

Lump-Sum Distributions. If you received a lump-sum distribution from a profit-sharing or retirement plan, report the ordinary income part on line 16 of Form 1040 and the capital gain part on Schedule D (Form 1040). Form 1099-R shows the amount of the distribution. You may pay less tax on this distribution if you are eligible to use the special 10-year averaging method. (This method cannot be used for lump-sum distributions from IRA plans.) For more details, get **Form 4972,** Special 10-Year Averaging Method, or **Form 5544,** Multiple Recipient Special 10-Year Averaging Method, and separate instructions.

Beneficiaries—Death Benefit Exclusion

If you are the beneficiary of a deceased employee or deceased former employee, amounts paid to you by, or on behalf of, an employer because of the death of the employee may qualify for a death benefit exclusion of up to $5,000.

Special rules apply if you are the survivor under a joint and survivor's annuity. For details, get **Publication 575**.

If you are entitled to this exclusion, add it to the cost of the pension or annuity.

Lines 20a and 20b

Unemployment Compensation

Unemployment compensation (insurance) you receive may be taxable under certain conditions.

You should receive a statement on **Form 1099-G,** Statement for Recipients of Certain Government Payments, showing the total unemployment compensation paid to you during the year. For payments in 1985, you should receive this statement by January 31, 1986.

Note: *Supplemental unemployment benefits received from a company-financed supplemental unemployment benefit fund are wages. They are not considered unemployment compensation for purposes of this computation. Report these benefits on Form 1040, line 7.*

To see if any of the unemployment compensation is taxable, fill in the worksheet that follows:

Unemployment Compensation Worksheet (Keep for your records)

Check only one box

- ☐ **A.** Married filing a joint return—enter $18,000 on line 8 below.
- ☐ **B.** Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 8 below.
- ☐ **C.** Married not filing a joint return and **DID NOT** live with your spouse at any time during the year—enter $12,000 on line 8 below.
- ☐ **D.** All others—enter $12,000 on line 8 below.

1.	Enter total unemployment compensation from **Form(s) 1099-G** here and on Form 1040, line 20a	
2.	If you received an overpayment of unemployment compensation in 1985 and repaid it in 1985, enter the repayment here. Also write "repayment" and show the amount repaid on the dotted line to the left of line 20b	
3.	Subtract line 2 from line 1	
4.	Add the amounts shown on Form 1040, lines 7 through 19, plus line 22 (do not include any unemployment compensation in this figure)	
5.	Add lines 3 and 4	
6.	Add the amounts shown on Form 1040, lines 24 through 29, plus any write-in adjustments included in the total on line 31. Do not include any amount from line 30	
7.	Subtract line 6 from line 5	
8.	Enter { $18,000 if you checked box **A**, or -0- if you checked box **B**, or $12,000 if you checked box **C** or **D** }	
9.	Subtract line 8 from line 7. If zero or less, enter -0- on Form 1040, line 20b. Do not complete lines 10 or 11. Otherwise, go on to line 10.	
10.	Divide the amount on line 9 by 2	
11.	**Taxable unemployment compensation.** Compare amounts on lines 3 and 10 above, and enter the **smaller** of the two amounts here and on Form 1040, line 20b	

Lines 21a and 21b

Social Security Benefits (and Tier 1 Railroad Retirement Benefits)

Social security benefits you receive may be taxable in some instances. Social security benefits include any monthly benefit under title II of the Social Security Act or a tier 1 railroad retirement benefit. However, social security benefits do not include any Supplemental Security Income (SSI) payments.

You should receive a **Form SSA-1099** showing the total social security benefits paid to you in 1985, and the amount of any social security benefits you repaid in 1985. You should receive this statement by January 31, 1986. If you received tier 1 railroad retirement benefits, you should receive **Form RRB-1099.** For more information, get **Publication 915,** Tax Information on Social Security Benefits (and Tier 1 Railroad Retirement Benefits).

Use the worksheet on page 11 to see if any of your benefits are taxable, but please note the following before you begin to complete it.

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- You will first need to complete Form 1040, lines 7 through 20b, 22, and 24 through 29 if they apply to you to figure the taxable part, if any, of your benefits.
- If you repaid any benefits in 1985, and your total repayments (Box 4) were more than your total benefits for 1985 (Box 3), **do not** use the worksheet below. None of your benefits are taxable for 1985. But you may be able to take an itemized deduction for part of the excess repayments if you had any taxable benefits in 1984. Get Publication 915 for details.
- If you file **Form 2555** or **Form 4563,** or you exclude income from sources within Puerto Rico, use the worksheet in Publication 915 instead of the one below.

Social Security Benefits (and Tier 1 Railroad Retirement Benefits) Worksheet (Keep for your records)

Check box A, B, C, or D below, whichever applies to you. Check only one box. Then go on to line 1 of the worksheet below.

- ☐ **A.** Single—enter $25,000 on line 8 below.
- ☐ **B.** Married filing a joint return—enter $32,000 on line 8 below.
- ☐ **C.** Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 8 below.
- ☐ **D.** Married not filing a joint return and **DID NOT** live with your spouse at any time during the year—enter $25,000 on line 8 below.

1. Enter the total amount from **Box 5** of **ALL** your **Forms SSA-1099 and Forms RRB-1099** (if applicable) . . . . _____

Note: *If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.*

2. Divide the amount on line 1 by 2 _____
3. Add the amounts on Form 1040, lines 7 through 20b, plus line 22. Do not include here any amounts from Box 5 of Forms SSA-1099 or RRB-1099 . . . . . _____
4. Enter any tax-exempt interest income you received in 1985. Also enter this interest in the space provided to the left of line 21b. **DO NOT** include this interest on line 21b . . . . . _____
5. Add lines 2, 3, and 4 . . . . . _____
6. Add the amounts on Form 1040, lines 24 through 29. Also enter on this line any write-in amount included on line 31. **Do not** include any amount entered on Form 1040, line 30 . . . . . _____
7. Subtract line 6 from line 5 . . . . _____
8. Enter { $25,000 if you checked box **A** or **D**, or $32,000 if you checked box **B**, or -0- if you checked box **C** } _____
9. Subtract line 8 from line 7 . . . . _____

Note: *If line 9 is zero or less, stop here. Do not enter any amounts on lines 21a and 21b because none of your benefits are taxable. Otherwise, go on to line 10.*

10. Divide the amount on line 9 by 2 _____
11. **Taxable social security benefits.**
    - First, enter on Form 1040, line 21a, the amount from line 1 above.
    - Then, compare the amounts on lines 2 and 10 above, and enter the **smaller** of the two amounts on this line and also on Form 1040, line 21b . . _____

Note: *If part of your benefits are taxable for 1985 **AND** they include benefits paid in 1985 that were for 1984, you may be able to reduce the taxable amount shown on the worksheet. Get Publication 915 for details.*

Line 22

Other Income

Use line 22 to report any income you can't find a place for on your return or other schedules. List the type and amount of income. For more information, see Miscellaneous Taxable Income, in **Publication 525,** Taxable and Nontaxable Income.

Caution: *Do not report any income from self-employment on line 22. If you do have any income from self-employment, you must use Schedule C or Schedule F. Amounts your employer paid you for business expenses that are more than you spent for the actual business expenses should be added to the wages shown on line 7 unless they were already included in your Form W-2.*

Examples of income to be reported on line 22 are:

- Prizes, awards, and gambling winnings. Proceeds from lotteries, raffles, etc., are gambling winnings. You must report the full amount of your winnings on this line. You cannot offset losses against winnings and report the difference.

If you had any gambling losses, you may take them as an itemized deduction on Schedule A. However, you cannot deduct more losses than the winnings you report.

- Repayment of medical expenses or other items such as real estate taxes that you deducted in an earlier year if they reduced your tax. See Publication 525 for information on how to figure the amount to include in income.
- Amounts you recovered on bad debts that you deducted in an earlier year.
- Fees received for jury duty and precinct election board duty.

Net Operating Loss. If you had a net operating loss in an earlier year to carry forward to 1985, enter it as a minus figure on line 22. Attach a statement showing how you figured the amount. Get **Publication 536,** Net Operating Losses and the At-Risk Limits, for more details.

Adjustments to Income

Line 24

Moving Expense

Employees and self-employed persons (including partners) can deduct certain moving expenses. The move had to be in connection with your job or business.

You can take this deduction only if your change in job location has added at least 35 miles to the distance from your old residence to your work place. If you had no former principal work place, your new principal work place must be at least 35 miles from your former residence.

If you meet these requirements, you should see **Form 3903** for details. Use Form 3903 to figure the amount of moving expenses to show on line 24. If you began work at a new work place outside the United States or its possessions, see **Form 3903F.**

If your employer paid for any part of your move, you must report that amount as income on Form 1040, line 7. Your employer should give you a **Form 4782** and include the amount paid in the wages, tips, and other compensation box (Box 10) on your **Form W-2.**

Line 25

Employee Business Expenses

You can deduct certain business expenses that were not paid by your employer. Travel, transportation (but not commuting to and from work), and meals and lodging can be deducted on line 25 even if you do not itemize deductions on Schedule A. You must use **Form 2106** to claim the deduction. All other business expenses, such as union or professional dues, tools, and uniforms, that were not paid by your employer can be deducted only as an itemized deduction on Schedule A. Outside salespersons must use Form 2106 to claim their business expenses on line 25. For details, see **Tele-Tax Information** in the index (topic no. 214) or get **Publication 463,** Travel, Entertainment, and Gift Expenses.

Line 26

Individual Retirement Arrangement (IRA) Deduction

You can deduct on line 26 contributions made to your IRA (including those made under a Simplified Employee Pension (SEP) plan or to a plan that accepts deductible employee contributions (DECs)). **Schedule C or F filers with a SEP and partners with a SEP take the deduction on line 27.**

You should receive a statement showing contributions made to your IRA for 1985. Before you figure your IRA deduction, please note the following:

- If you made contributions to your IRA in 1985 that you deducted on your 1984 Form 1040, **do not** include those contributions on your 1985 tax return.
- If you made contributions to your IRA in 1986 (by April 15, 1986) for 1985, be sure to include these contributions when you figure your IRA deduction for 1985.
- If your IRA deduction on line 26 is less than your IRA contributions and you do not withdraw this excess contribution before your return is due, you must file **Form 5329** and pay the tax due on the excess contribution.
- If you are married and you and your spouse work and you both have IRAs, figure each spouse's deduction separately. Then combine the two deductions and enter the total of the two amounts on line 26.

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- If you are married and made contributions to your nonworking spouse's IRA for 1985, you must file a joint return for 1985 to deduct these contributions.
- Do not include rollover contributions in figuring your deduction. See line 17 instructions on page 10 for more details on rollover contributions.
- Do not include trustee's fees that were billed separately and paid by you for your IRA. These fees can be deducted only as an itemized deduction on Schedule A.

Tax Tip: *Beginning in 1985, alimony payments received under certain divorce or separation instruments are considered earned income for purposes of the IRA deduction. Get* ***Publication 590,*** *Individual Retirement Arrangements (IRAs), for details.*

Use the worksheet below to figure your IRA deduction. However, if any of the following applies, use the worksheet in Publication 590 instead of the one below to figure your deduction:

1. Your employer made contributions to your IRA under a SEP plan. Under a SEP plan, you can deduct the smallest of: the amount of your employer's contributions to your SEP-IRA that is included in your income, 15% of your wages or other earned income, or $30,000.
2. You made deductible employee contributions (DECs) to a qualified employer plan.
3. You file **Form 2555,** Foreign Earned Income, to exclude income or housing costs.

IRA Worksheet (Keep for your records)

Your IRA—Complete lines 1 through 4 if you worked (or received alimony that qualifies as earned income) and had an IRA. (If you are married and both spouses work and both have IRAs, figure each spouse's deduction separately.)

1a. Amount contributed to your IRA in 1985 that you are deducting for 1985 . . . . . _____

Note: *Do not include on line 1a any amount you contributed in 1985 and deducted on your 1984 return, any employer's SEP contributions, any DECs, or any rollover contributions.*

1b. Amount contributed to your IRA in 1986, by April 15, 1986, that you are deducting for 1985 . . _____

1c. Add lines 1a and 1b. Enter the total . . . . . _____

2. Enter your wages and other earned income from Form 1040, minus any deduction you claim on Form 1040, line 27. (Do not include your spouse's income and do not reduce your wages by losses from self-employment.). . . . . _____

3. Maximum amount $2,000

4. Compare amounts on lines 1c, 2, and 3, and enter the **smallest** of the three amounts on line 4. If you do not have an IRA for your nonworking spouse, stop here and enter the amount from line 4 of this worksheet on Form 1040, line 26. Otherwise, go on to line 5a. _____

Complete lines 5a through 10 ONLY if you made contributions to your nonworking spouse's IRA.

5a. Amount contributed to your nonworking spouse's IRA in 1985 that you are deducting for 1985 . . . . . _____

Note: *Do not include on line 5a any amount you contributed in 1985 and deducted on your 1984 return, or any rollover contributions.*

5b. Amount contributed to your nonworking spouse's IRA in 1986, by April 15, 1986, that you are deducting for 1985. . _____

5c. Add lines 5a and 5b. Enter the total . . . . . _____

6. Enter the amount from line 2 of this worksheet . . . . . _____

7. Maximum amount $2,000

8. Compare amounts on lines 5c, 6, and 7, and enter the **smallest** of the three amounts on line 8 . _____

9. Add amounts on lines 4 and 8 and enter the total, but **do not** enter more than $2,250. . . _____

10. Compare amounts on lines 6 and 9 and enter the **smaller** of the two amounts on line 10. Also enter this amount on Form 1040, line 26. . . . . _____

Line 27

Keogh Retirement Plan Deduction

Caution: *You must be self-employed to claim this deduction. Sole proprietors and partners enter the allowable deduction for contributions to your Keogh plan and your SEP on line 27.*

There are two types of Keogh retirement plans:

- **Defined-contribution plan.**—This plan provides an individual account for each person in the plan. In general, if contributions to the plan are geared to the employer's profits, the plan is a profit-sharing plan. If contributions are not based on the employer's profits, the plan is a money purchase pension plan.
- **Defined-benefit plan.**—The deduction for this type of plan is determined by the investment needed to fund a specific benefit at retirement age. Write "DB" on the line to the left of the amount if you have a defined-benefit plan.

For more details, get **Publication 560,** Self-Employed Retirement Plans.

Line 28

Penalty on Early Withdrawal of Savings

The **Form 1099-INT** given to you by your bank or savings and loan association will show the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity. Enter this amount on line 28. (Be sure to include the interest income on Form 1040, line 8.)

Line 29

Alimony Paid

You can deduct periodic payments of alimony or separate maintenance made under a court decree. You can also deduct payments made under a written separation agreement or a decree for support. Don't deduct lump-sum cash or property settlements, voluntary payments not made under a court order or a written separation agreement, or amounts specified as child support. For details, see **Tele-Tax Information** in the index (topic no. 219) or get **Publication 504,** Tax Information for Divorced or Separated Individuals.

Caution: Beginning in 1985, you must enter the recipient's last name, if different than yours, and his or her social security number in the space provided on line 29. If you don't, you may have to pay a $50 penalty and your deduction may be disallowed. If you paid alimony to more than one person, enter the social security number and last name, if applicable, of one of the recipients. Show the required information for the other recipient(s) on an attached statement. Enter your total payments on line 29.

Divorce or Separation Instruments Executed After 1984. Generally, you may deduct any payment made in cash to, or on behalf of, your spouse or former spouse under a divorce or separation instrument executed after 1984 if:

- the instrument does not prevent the payment from qualifying as alimony, **and**
- you and your spouse or former spouse did not live together when the payment was made if you were separated under a decree of divorce or separate maintenance, **and**
- the instrument states that you are not required to make any payment after the death of your spouse or former spouse, **and**
- the payment is not treated as child support.

These rules also apply to certain instruments modified after 1984. Other rules apply if you paid more than $10,000 in any calendar year. For more details on the new rules, see Publication 504.

Line 30

Deduction for a Married Couple When Both Work

You can claim a deduction if:

- you are married filing a joint return,
- both you and your spouse have qualified earned income, and
- you do not file **Form 2555** or **Form 4563.**

Complete **Schedule W (Form 1040)** to figure the amount of your deduction.

Line 31

Total Adjustments

Add lines 24 through 30 and enter the total on line 31. Also include in the total on line 31 any of the following adjustments.

Forestation/Reforestation Amortization. If you can claim a deduction for amortization of the costs of forestation or reforestation and you do not have to file Schedule C or Schedule F for this activity, include your deduction in the total on line 31. Write "Reforestation" in the space to the left of the total.

Repayment of Sub-pay Under the Trade Act of 1974. If you repaid supplemental unemployment benefits (sub-pay) that you previously reported in income because you became eligible for payments under the Trade Act of 1974, include the amount you repaid in 1985 in the total on line 31. Write "Sub-pay TRA" in the space to the left of the total. Or, you may be able to claim a credit against your tax instead. Get **Publication 525,** Taxable and Nontaxable Income, for more details.

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Line 32

Adjusted Gross Income

If line 32 is less than zero, you may have a net operating loss that you can carry to another tax year. If you carry the loss back to earlier years, see **Form 1045.** For more information, get **Publication 536,** Net Operating Losses and the At-Risk Limits.

IRS Will Figure Your Tax and Some of Your Credits

If you want us to, we will figure your tax for you. If you paid too much, we will send you a refund. If you did not pay enough, we will bill you for the balance. You will not be charged interest or the penalty for late payment if the bill for tax due is paid within 30 days of the notice date, or by the due date for your return, whichever is later.

We can figure your tax if you meet all of the conditions described below:

- All of your income for 1985 was from one or more of these sources:

a. Salaries, wages, and tips.

b. Interest.

c. Dividends.

d. Pensions or annuities.

- You do not itemize deductions.
- You do not file **Schedule G,** Income Averaging.
- You do not file **Form 2555,** Foreign Earned Income.
- Your adjusted gross income (line 32) is not more than $50,000.
- You (and your spouse if you are filing a joint return) sign and date your return and mail it by April 15, 1986.
- You do not want any of your refund applied to next year's estimated tax.
- You give us enough information so that we can figure the tax. Please read the following instructions:

a. Fill in the parts of your return through line 37 that apply to you. The Line-By-Line Instructions that start on page 4 explain how to fill in your return.

b. Read lines 41 through 64. Fill in the lines that apply to you, but do not fill in the Total lines. Please be sure to fill in line 57 for Federal income tax withheld. See the instruction below if you want us to figure your Credit for the Elderly and the Permanently and Totally Disabled or Earned Income Credit.

c. If you are filing a joint return, use the space under the words "Adjustments to Income" on the front of your return to show your taxable income and your spouse's taxable income separately.

d. Fill in any forms or schedules asked for on the lines you completed, and attach them to the return when you file it.

We will figure the following credits too. Fill in your return through line 37 as explained above. Follow the instructions below and sign, date, and mail it before the due date.

Credit for the Elderly and the Permanently and Totally Disabled.—If you qualify to take this credit, follow the instructions below. Be sure to attach **Schedule R** to your return. Write "CFE" on the dotted line to the left of line 42.

Check the box on Schedule R for your filing status and age, and fill in lines 11 and 13 if applicable. Also, complete Part II if applicable.

Earned Income Credit.—If you qualify to take this credit (see the instructions for line 59 on page 16), write "EIC" on line 59.

Tax Computation Line 34a

You will fall into one of these three classes below:

- You **MUST** itemize deductions, or
- You choose to itemize, or
- You do not itemize.

The three classes are described below.

You MUST Itemize Deductions

You must itemize deductions if:

A. You can be claimed as a dependent on your parents' return and had interest, dividends, or other unearned income of $1,040 or more. Generally, this means that you must complete and attach Schedule A and complete the worksheet on this page. However, there are two exceptions to this rule:

Exception 1. You don't have to itemize deductions on Schedule A or complete the worksheet if you have earned income* of $2,390 or more if single ($1,770 or more if married filing a separate return). Enter zero (0) on line 34a and go on to line 34b.

Exception 2. You don't have to use Schedule A if you know that your earned income* is more than your itemized deductions. Instead, use the worksheet on this page after completing line 33 of Form 1040 and enter your earned income on line 3 of the worksheet.

***Note:** If your unearned income is less than $1,040, you don't have to use Schedule A or the worksheet—enter zero (0) on line 34a and go on to line 34b.*

In any case, be sure to check the box below line 34a.

B. You are married, filing a separate return, and your spouse itemizes deductions.

C. You file **Form 4563** to exclude income from sources in U.S. possessions. (Please get **Publication 570,** Tax Guide for U.S. Citizens Employed in U.S. Possessions, for more details.)

D. You had dual status as a nonresident alien for part of 1985, and during the rest of the year you were either a resident alien or a U.S. citizen. However, you do not have to itemize if you file a joint return with your spouse who was a U.S. citizen or resident at the end of 1985 and you and your spouse agree to be taxed on your combined worldwide income.

After you've completed Schedule A:

a. If Schedule A, line 24, is more than line 25, enter the amount from Schedule A, line 26, on Form 1040, line 34a. Do not complete the worksheet on this page.

b. If Schedule A, line 25, is more than line 24, **do not** fill in Form 1040, line 34a. Go to the worksheet on this page instead and complete it to figure the amount to enter on Form 1040, line 35.

Worksheet (Keep for your records)

1. Enter the amount from Form 1040, line 33	
2. If you checked Form 1040, Filing Status Box: 2 or 5, enter $3,540 / 1 or 4, enter $2,390 / 3, enter $1,770	
3. Enter the amount from Schedule A, line 24 (or, if you can be claimed as a dependent on your parents' return, enter earned income if earned income is more)	
***Caution:** If you can be claimed as a dependent on your parents' return, be sure you check the box below line 34a of Form 1040.*	
4. Subtract line 3 from line 2	
5. **Add lines 1 and 4.** Enter here and on Form 1040, line 35. (Leave Form 1040, lines 34a through 34e blank. Disregard the instruction to subtract line 34a or 34e from line 33. Follow the rest of the instructions for Form 1040 to complete your return.)	

The example below may help you to complete this worksheet.

Example.—Walter Green is single and is claimed as a dependent on his parents' return. Walter's adjusted gross income, Form 1040, line 33, is $4,000. Of this amount, $1,500 was wages and $2,500 was unearned income that he received as a beneficiary of a trust. Because Walter is being claimed as a dependent on his parents' return and has unearned income of $1,040 or more and earned income of less than $2,390, he must use the worksheet. His total itemized deductions are only $500. Since this is less than his earned income ($1,500), he does not have to complete Schedule A. Walter enters $2,390, the zero bracket amount for a single individual, on line 2 and his earned income on line 3. He completes the worksheet as shown below and enters the total of $4,890 on Form 1040, line 35. He then completes his return using the instructions that follow line 35.

1. Adjusted gross income		$4,000
2. Zero bracket amount for a single individual	$2,390	
3. Earned income	1,500	
4. Subtract line 3 from line 2		890
5. Add lines 1 and 4. Enter here and on Form 1040, line 35		$4,890

***Note:** If Walter's itemized deductions had been more than his earned income, he would have had to complete Schedule A first.*

***Earned income** *is income you receive for personal services you have performed. It includes wages, salaries, tips, and professional fees.*

Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 19.

Earned income does not include pay for your services that included a distribution of earnings and profits other than reasonable compensation for your work for a corporation.

If you were engaged in a trade or business in which both your services and capital were important income-producing factors, your earned income will be based on a reasonable allowance for the services you performed. However, the earned income may not be more than 30 percent of your share of the net profits from the business.

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You Choose To Itemize

You may choose to itemize your deductions if you are:

- Married and filing a joint return, or a Qualifying widow(er) with dependent child, and your itemized deductions are more than $3,540.
- Married and filing a separate return, and your itemized deductions are more than $1,770.
- Single, or a Head of household, and your itemized deductions are more than $2,390.

If you do itemize, complete and attach Schedule A and enter the amount from Schedule A, line 26, on Form 1040, line 34a.

Caution: *Certain taxpayers must itemize even though their itemized deductions are less than the amount shown above for their filing status. See "You MUST Itemize Deductions" on page 13.*

You Do Not Itemize

If your itemized deductions are less than the amount shown above for your filing status (or you choose not to itemize), enter zero on line 34a, unless you **MUST** itemize as described on page 13.

Lines 34b through 34e

Deduction for Charitable Contributions

For 1985, you may deduct **one-half** of what you actually gave to qualified charitable organizations if you do not itemize your deductions on Schedule A (Form 1040).

Include what you gave to, or for the use of, a qualified organization. Examples of qualified organizations are: churches, United Way, and nonprofit schools and hospitals.

Contributions may be in cash (keep cancelled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for a qualified organization.

For more details on what qualifies as a charitable contribution and the limits that apply to the amount that may be deducted, see the instructions for contributions on page 21.

Line 34b. Enter all of your cash contributions (including out-of-pocket expenses). If you gave cash of $3,000 or more to any one organization, on the dotted line next to this total show to whom and how much you gave.

Line 34c. Enter your total gifts of property. If the total is more than $500, you must complete and attach **Form 8283,** Noncash Charitable Contributions (Rev. Oct. 1985). For information on the records you must keep for gifts of property, see **Recordkeeping** on page 21.

Line 34d. Add the amounts on lines 34b and 34c.

Line 34e. Divide the amount on line 34d by 2 and enter the result on line 34e.

Line 36

Exemptions

Use the chart below to find the amount to enter on line 36. If you claimed more than ten exemptions, multiply $1,040 by the total number of exemptions entered on line 6f.

If the number on Form 1040, line 6f, is:	On Form 1040, line 36, enter:
1	$1,040
2	2,080
3	3,120
4	4,160
5	5,200
6	6,240
7	7,280
8	8,320
9	9,360
10	10,400

Line 38

Tax

To figure your tax, use one of the following methods.

Tax Rate Schedules

You must use the Tax Rate Schedules to figure your tax if your taxable income is $50,000 or more.

Also use the Tax Rate Schedules if you figure your tax using:

Income Averaging, Schedule G.—You may pay less tax by using this method if there has been a large increase in your income this year. In some cases, you may benefit even if your 1985 income did not increase substantially. This will depend on the amount of your taxable incomes in the three base years (1982-1984). Get **Schedule G** to see if you qualify.

Tax Table

If neither of the above conditions apply to you, you **MUST** use the Tax Table to find your tax.

Be sure you use the correct column in the Tax Table. After you have found the correct tax, enter that amount on line 38.

There is an example at the beginning of the table to help you find the correct tax.

Line 39

Additional Taxes

Check the box(es) on line 39 to report any of the additional taxes listed below.

Form 4970, Tax on Accumulation Distribution of Trusts.

Form 4972, Special 10-Year Averaging Method.

Form 5544, Multiple Recipient Special 10-Year Averaging Method.

Credits

Line 41

Credit for Child and Dependent Care Expenses

You may be able to take a credit on line 41 for payments you made for child and disabled dependent care while you (and your spouse if you are married) worked or looked for work.

The credit is allowed if you kept up a home that included a child under age 15 or your dependent or spouse who could not care for himself or herself. Use **Form 2441** to figure the amount of any credit.

Please see Form 2441 for more information, including special rules for divorced or separated parents and certain employment taxes for which you may be liable.

Line 42

Credit for the Elderly and the Permanently and Totally Disabled

You may be able to take this credit and reduce your tax if, by the end of 1985, you were:

- Age 65 or over, or
- Under age 65, you retired on permanent and total disability, and you had taxable disability income in 1985.

For more information, see the separate instructions for **Schedule R.** Enter the credit on line 42.

If you want IRS to figure the credit for you, see **IRS Will Figure Your Tax and Some of Your Credits** on page 13.

Line 43

Residential Energy Credit

Generally, if you installed energy saving items in your principal residence during 1985, or you have an energy credit carryover from a prior tax year, you may take a credit against your tax.

Form 5695, Residential Energy Credit, tells you which energy saving items qualify and how to take the credit.

Correction to Form 5695, line 29. Disregard the following sentence: "If less than $10, enter zero."

Line 44

Partial Credit for Political Contributions for Which You Have Receipts

You may take a tax credit on this line for contributions to candidates for public office and to newsletter funds and political committees of candidates and elected public officials.

Caution: Do not *take this credit for the $1 or $2 you checked to go to the Presidential Election Campaign Fund.*

To figure your credit, add up the amounts you gave. Enter half of this total on line 44, but do not enter more than $50 ($100 if you are married and filing a joint return).

Note: *You cannot deduct political contributions as charitable contributions.*

For more information, please get **Publication 585.**

Line 45

Add lines 41 through 44 and enter the total on line 45. Also include in the total on line 45 any Mortgage Interest Credit.

Mortgage Interest Credit. Beginning in 1985, you may be able to take a credit for part of the interest you paid on your home mortgage if you were issued a mortgage credit certificate by a state or local government under a qualified mortgage credit certificate program to buy, rehabilitate, or make improvements to your principal residence. Use **Form 8396,** Mortgage Interest Credit, to figure the credit. Include the amount of the credit in your total for line 45. On the dotted line next to this total, write "MIC" (mortgage interest credit) and show the amount.

Line 47

Foreign Tax Credit

Form 1116 explains when you can take this credit for payment of income tax to a foreign country. Also get **Publication 514.** Enter the credit from Form 1116 on line 47.

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Line 48

General Business Credit

Check the box(es) on line 48 if you can take any of the three credits listed below. Use the appropriate credit form (as described below) to figure the credit. If you have only one credit, enter on line 48 the amount of the credit from the form.

However, if you have a credit carryforward or take two or more of these credits, you must also complete **Form 3800** to figure the total credit and enter on line 48 the amount from Form 3800. Also be sure to check the box on line 48 for Form 3800.

Form 3468, Computation of Investment Credit. You are allowed a credit for investing in certain types of trade or business property. Use Form 3468 to figure the credit.

Form 5884, Jobs Credit. If you are a business employer who hires people who are members of special targeted groups, you may qualify for this credit. Use Form 5884 to figure the credit. Get **Publication 906,** Jobs and Research Credits, for more details.

Form 6478, Credit for Alcohol Used as Fuel. If you sell straight alcohol (or an alcohol mixture) at retail or use it as fuel in your trade or business, you may be able to take a credit for the alcohol used as fuel. Use Form 6478 to figure the credit.

Line 49

Add amounts on lines 47 and 48 and enter the total on line 49. Also include in the total on line 49 any of the following credits.

Credit for Fuel From a Nonconventional Source. A credit is allowed for the sale of qualified fuels produced from a nonconventional source. See I.R. Code section 29 for a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule showing how you figured the credit. Include the credit in the total for line 49. On the dotted line next to this total, write "FNS" and show the amount.

Credit for Increasing Research Activities. You may be able to take a credit for research and experimental expenditures paid or incurred in carrying on your trade or business. Use **Form 6765** to figure the credit. Include the credit in your total for line 49. On the dotted line next to this total, write "Research" and show the amount.

Other Taxes

Line 51

Self-Employment Tax

If you had self-employment income in 1985, and earned under $39,600 in wages from which social security tax or RRTA tax was withheld, you may have to pay self-employment tax. Please see **Schedule SE (Form 1040)** and instructions. If you have to pay self-employment tax, enter the amount from Schedule SE, line 14.

Line 52

Alternative Minimum Tax

You may be liable for the alternative minimum tax if your adjusted gross income added to your tax preference items total more than:

- $40,000 if married filing jointly or qualifying widow(er) with dependent child, or
- $30,000 if single or head of household, or
- $20,000 if married filing separately.

Tax preference items include:

- dividend exclusion;
- accelerated depreciation;
- amortization of certified pollution-control facilities;
- capital gain deduction;
- mining exploration and development costs;
- reserves for losses on bad debts of financial institutions;
- depletion;
- incentive stock options;
- intangible drilling costs; and
- circulation and research and experimental expenditures.

Get **Form 6251** to see if you owe this tax.

Line 53

Tax From Recapture of Investment Credit

You may owe this tax if you disposed of investment credit property before the end of its useful life or recovery period.

See **Form 4255** for details. Enter any tax from Form 4255 on this line.

Line 54

Social Security Tax on Tip Income Not Reported to Employer

If you received tips of $20 or more in any month and you did not report the full amount to your employer, you must pay the social security or railroad retirement tax on the unreported tips.

To figure the amount of social security tax on unreported tips, complete **Form 4137** and attach it to your Form 1040. Enter the tax on this line.

To determine the amount of railroad retirement tax on unreported tips, contact your nearest Railroad Retirement Board office. On line 54, enter the tax and on the dotted line next to it, write "RRTA."

Be sure all your tips are reported as income on Form 1040, line 7.

You may be charged a penalty equal to 50% of the social security tax due on tips you received and did not report to your employer.

Line 55

Tax on an IRA

If you owe tax on any early distributions from your IRA, any excess contributions made to your IRA, or any excess accumulations in your IRA account, use **Form 5329** to figure the tax. Enter the total tax on line 55.

Line 56

Total Tax

Add lines 50 through 55. Put the total on line 56. Also include on line 56 any of the four taxes listed below that apply.

Section 72 Penalty Taxes. Beginning in 1985, if you are or were a 5% owner of a business and you received income from a premature or excessive distribution from a Keogh plan or trust, you will have to pay a penalty tax of 10% of the distribution. Get **Publication 560** for more details. Or, if you were an employee, you made any deductible contributions to your employer's qualified plan, and received income from a premature distribution, you may have to pay a penalty tax.

If you received certain premature distributions from an annuity contract, you may have to pay a 5% penalty tax on the taxable part of the distribution. Get **Publication 575** for more details.

Include the amount of the penalty in your total for line 56. On the dotted line next to this total, write "Section 72 penalty" and show the amount.

Advance Earned Income Credit (EIC) Payments. If you received advance EIC payments (AEIC), the amount will be shown on your Form W-2. Include the amount of these payments in your total for line 56. On the dotted line next to this total, write "AEIC" and show the amount.

Note: *The amount of earned income credit that you can actually take will be figured on the worksheet shown on page 16 and entered on line 59.*

Uncollected Employee Social Security and RRTA Tax on Tips. If you did not have enough wages to cover the social security tax or railroad retirement tax (RRTA) due on tips you reported to your employer, the amount of tax due will be shown on your Form W-2. Include that amount in the total on line 56. On the dotted line next to this total, write "Uncollected Tax on Tips" and show the amount.

Golden Parachute Payments. Golden parachute payments are certain payments made by a corporation to key employees to compensate them if control of the corporation changes. If you received an excess parachute payment (EPP), you must pay a tax equal to 20% of this excess payment. Include the amount of this tax in your total for line 56. On the dotted line next to this total, write "EPP" and show the amount of the tax.

If you received a Form W-2 that includes a parachute payment, the amount of tax withheld on any excess payment should be identified in Box 16 of Form W-2. Include the amount from Box 16 in the total for line 56.

If you received a **Form 1099-MISC** that includes a parachute payment, any excess payment will be separately identified on the form. Multiply the excess payment by 20% to figure the amount to include in the total for line 56.

Payments

Line 57

Total Federal Income Tax Withheld

Add the amounts shown as Federal income tax withheld on your **Forms W-2, W-2G, W-2P,** and **1099-R.** Enter the total on line 57.

If line 57 includes amounts withheld as shown on Form 1099-R, on the dotted line to the left of line 57, write "Form 1099-R."

Backup Withholding. If you were subject to backup withholding on dividends, interest income, or other income you received during 1985, include the amount withheld in the total on line 57. On the dotted line next to this total, write "Form 1099."

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Line 58

1985 Estimated Tax Payments

Enter on this line any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 1985. Include any overpayment from your 1984 return that you applied to your 1985 estimated tax.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, either of you can claim all of the amount paid. Or you can each claim a part of it. Please be sure to show both social security numbers on the separate returns. If you or your spouse paid separate estimated tax, but you are now filing a joint income tax return, add the amounts you each paid.

Follow the above instructions even if your spouse died.

Divorced Taxpayers. If you were divorced during 1985 and you made joint estimated tax payments with your former spouse, please enter your former spouse's social security number in the block provided on the front of Form 1040. In the upper right corner of the return, above the social security numbers, write "DIV" (divorced).

If you were divorced and remarried in 1985, enter your present spouse's social security number in the block provided on the front of Form 1040. Also, enter your former spouse's social security number in the upper right corner above the blocks and write "DIV" above that number.

Name Change. If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1040 explaining all the payments you and your spouse made in 1985, the name of the Service Center where you made the payments, and the name(s) and social security number(s) under which you made the payments.

Line 59

Earned Income Credit

The earned income credit helps many taxpayers who have a child and have incomes under $11,000. If you can take the earned income credit, you can subtract it from tax you owe or get a refund even if you had no tax withheld from your pay. The credit can be as much as $550.

Who Can Take the Earned Income Credit?

You may be able to take the credit if you meet **all** of the following conditions:

- You received wages, salaries, tips, or other earned income (see "Earned income includes" on this page), and
- The amount on Form 1040, line 33, is less than $11,000, and
- You have a child (see "Definition of Child" on this page) who lived with you in the same principal residence in the U.S. for more than 6 months during 1985 (for all of 1985 if your filing status is qualifying widow(er) with dependent child), and
- You do not file **Form 2555,** Foreign Earned Income, and
- You do not file **Form 4563,** Exclusion of Income From Sources in United States Possessions, and
- Your filing status is married filing joint return, qualifying widow(er) with dependent child, or head of household. In addition, special rules apply to each of these three filing statuses.

Married Filing Joint Return. Your child must be claimed as your dependent on Form 1040, line 6c. **Exception.** If your spouse is not your child's parent and the child's other parent (the noncustodial parent) claimed him or her as a dependent under the rules explained on page 7 for **Children of Divorced or Separated Parents,** you are eligible to take the credit if you meet all of the other conditions listed above. If you can take the credit because of this exception, you must enter the child's name on the dotted line to the left of line 59.

Qualifying Widow(er) With Dependent Child. Your child must be claimed as your dependent on Form 1040, line 6c.

Head of Household. If your child was **unmarried** for 1985, you must enter that child's name in the space provided on Form 1040, line 4 (or line 6c if you claimed that child as a dependent).

If your child was **married** for 1985, this child must be claimed as your dependent on Form 1040, line 6c. **Exception.** If this child's other parent claimed him or her as a dependent under the rules explained on page 7 for **Children of Divorced or Separated Parents,** you are eligible to take the credit if you meet all of the other conditions listed above. If you can take the credit because of this exception, you must enter the child's name on the dotted line to the left of line 59.

If you meet all of the conditions listed above, use the worksheet below to figure the credit. Otherwise, do not fill in the worksheet. Instead, write -0- on Form 1040, line 59, and go on to line 60.

If you want IRS to figure the credit for you, see **IRS Will Figure Your Tax and Some of Your Credits** on page 13.

You may be able to receive advance payments of the credit by filing **Form W-5** with your employer.

For more details about the credit, get **Publication 596,** Earned Income Credit.

Earned income includes:

- Wages, salaries, and tips.
- Earnings from self-employment—this is usually the amount shown on Schedule SE (Form 1040), line 9.
- Anything else of value (money, goods, or services) you get from your employer for services you performed regardless of whether it is taxable.

Note: *The following are examples of amounts received from your employer that must be included in line 1 of the worksheet—*

a. Housing allowance (or rental value of a parsonage) for members of the clergy.

b. Meals and lodging.

Earned income does not include items such as interest, dividends, social security payments, welfare benefits, veterans' benefits, workers' compensation, unemployment compensation (insurance), or income exempt from self-employment tax as a result of the filing and approval of **Form 4029** (relating to members of certain religious faiths).

Definition of Child. In general, for purposes of this credit, your **child** includes:

- Your son or daughter.
- Your stepchild, or adopted child.

If your filing status is **married filing a joint return** or **qualifying widow(er) with dependent child,** your child also includes a child placed with you by an authorized placement agency for adoption by you, or a

Earned Income Credit Worksheet (Keep for your records)

To figure your credit, follow the instructions below. If you checked Filing Status box 1 or 3, you cannot take the credit. Do not complete this worksheet.

1.	Enter the amount from Form 1040, line 7, plus any other compensation from your employer, regardless of whether it is taxable.	$
2.	If you were self-employed, enter the amount, even if a loss, from Schedule SE, line 9. However, if you use the optional method to figure your self-employment tax, see **Publication 596** for more information before entering an amount on line 2. If you have self-employment income that you reported on line 1 above, do not include it here.	
3.	**Earned income.** Add lines 1 and 2. However, if line 2 is a loss, subtract line 2 from line 1. If line 3 is zero or less, stop here; you **cannot** take the credit. If line 3 is more than zero, go on to line 4.	
4.	**Adjusted gross income.** Enter the amount from Form 1040, line 33. If the amount on line 4 is $11,000 or more, stop here; you **cannot** take the credit. Otherwise, go on to line 5 or line 6, whichever applies.	
5.	If line 4 above is **$6,500 or less,** use the amount from line 3 above to find your credit in the table on page 48. Enter the credit here and on Form 1040, line 59.	
6.	If line 4 above is **over $6,500:** **a.** Find the amount from line 3 above in the table on page 48 and enter the credit for that amount here. $_____ **b.** Find the amount from line 4 above in the table and enter the credit for that amount here. $_____ **c.** Enter the amount from line **6a** or **6b,** whichever is **smaller,** here and on Form 1040, line 59.	$

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foster child (any other child, such as your grandchild, whom you cared for as your own child for the whole year).

If your filing status is **head of household,** your child also includes a descendant of your son, daughter, or adopted child.

If your child was born, or died, in 1985 and your home was your child's home during the part of 1985 that he or she was alive, your child is considered to have lived with you for more than 6 months or, if applicable, for all of 1985.

***Note:** Beginning in 1985, the earned income credit must be reduced by the alternative minimum tax (Form 1040, line 52). If you owe this tax, subtract it from the amount on line 5 or line 6c of the worksheet on page 16, whichever applies, and enter the result (but not less than zero) on Form 1040, line 59.*

Line 60

Amount Paid With Form 4868 (Extension of Time To File)

If you filed **Form 4868** to get an extension of time to file Form 1040, enter the amount you paid with that form. Also include any amounts paid with Forms 2688 or 2350.

Line 61

Excess Social Security Tax and RRTA Tax Withheld—Two or More Employers

If you had two or more employers in 1985 who together paid you more than $39,600 in wages, too much social security tax and railroad retirement tax (RRTA) may have been withheld from your wages. If so, you may be able to take a credit for it against your income tax.

If you are filing a joint return, you must figure this separately for yourself and your spouse. Complete the following worksheet to see if you can take the credit.

If you worked for two or more railroad employers, or if you had both RRTA tax and social security tax withheld from your wages, see **Publication 505,** Tax Withholding and Estimated Tax, for information on how to figure your excess RRTA or social security tax. **Do not** use the worksheet below.

***Caution:** If you were a U.S. Government employee who paid **only** the 1.35% hospital insurance benefits (Medicare) tax on your government wages, **do not** include on line 1 of the worksheet below the Medicare tax withheld from your government wages. See the instructions for line 63 to see if you can take a credit for excess Medicare tax paid.*

Worksheet (Keep for your records)

1. Add all social security tax withheld (but not more than $2,791.80 for each employer).* Enter the total here.	
2. Enter any uncollected social security tax on tips included in the total on Form 1040, line 56 . .	
3. Add lines 1 and 2 above.	
4. Less	-2,791.80
5. Subtract line 4 from line 3. Enter this amount on line 61	

***Note:** If any one employer withheld more than $2,791.80, you should ask the employer to refund the excess to you. You cannot take credit for it on your return.*

Line 62

Credit for Federal Tax on Gasoline and Special Fuels

If you can take a credit for tax on gasoline and special fuels used in your business (including qualified taxicabs), or for certain diesel-powered cars, vans, and light trucks, please attach **Form 4136.** Enter the credit on line 62.

Line 63

Regulated Investment Company Credit

Enter on this line the total amount of the credit from **Form 2439.** Be sure to attach Copy B of Form 2439. Also include on line 63 any Excess Hospital Insurance Benefits Tax Credit.

Excess Hospital Insurance Benefits Tax Credit. If you were a U.S. Government employee whose wages in 1985 were subject **only** to the 1.35% hospital insurance benefits (Medicare) tax and you had other social security or RRTA wages that when added to your government wages total more than $39,600, too much Medicare tax may have been withheld. If so, you may take a credit for it against your income tax. Use **Form 4469,** Computation of Excess Hospital Insurance Benefits Tax Credit, to figure the credit. Include the amount of the credit in your total for line 63. On the dotted line next to this total, write "Form 4469" and show the amount.

Line 64

Total Payments

Add lines 57 through 63 and enter the total on line 64. Also include on line 64 any Overpaid Windfall Profit Tax.

Overpaid Windfall Profit Tax. You may be allowed a credit for overpaid windfall profit tax (OWPT). Use **Form 6249** to figure the overpayment. Include this amount in your total for line 64. Attach Forms 6249 and 6248 to Form 1040. On the dotted line next to this total, write "OWPT" and show the amount.

Refund or Amount You Owe

Line 65

Amount Overpaid (If line 64 is larger than line 56)

Subtract line 56 from line 64. You can choose to have all, or part, of this amount refunded to you (line 66). The remainder, if any, can be applied to your estimated tax for 1986 (line 67). If line 65 is under $1, we will send a refund only on written request.

Income Tax Withholding for 1986. If the amount you overpaid is large, get a copy of **Form W-4** from your employer to see if you are entitled to additional allowances. If you are, file a new Form W-4 with your employer to change the amount of income tax to be withheld from your wages.

If you go back to work after a period of unemployment, you may reduce the amount of income tax withheld if your employer agrees to use the part-year method of withholding. There are also other methods which could reduce your withholding.

For more details, see your employer or get **Publication 505,** Tax Withholding and Estimated Tax.

Line 66

Refund

Enter the amount from line 65 that you want refunded to you.

Line 67

Applied to 1986 Estimated Tax

Subtract line 66 from line 65. This is the amount that will be applied to your estimated tax for 1986. Enter this amount on line 67.

We will apply amounts to your account unless you request us to apply it to your spouse's account. The request should include your spouse's social security number.

Line 68

Amount You Owe (If line 56 is larger than line 64)

Subtract line 64 from line 56. This is the amount you owe. Enter the amount on this line.

Attach your check or money order for the full amount when you file. Make it out to "Internal Revenue Service" and be sure to write your social security number and "1985 Form 1040" on it. **Do not** include any estimated tax payment in your check or money order. If line 68 is under $1, you do not have to pay.

In most cases, people who have income tax withheld from their wages will find that the amount withheld will be fairly close to their tax for the year. Sometimes it is not, and this is more likely to happen if both you and your spouse worked, or if you had two or more jobs. You may also owe more tax because you have other income on which there is no withholding, such as capital gains.

Income Tax Withholding for 1986. If you do owe tax for 1985, you may want to increase the amount of income tax withheld from your pay for 1986. Otherwise, you may be required to make estimated tax payments for 1986. See the instructions on page 18 for **Should You Make Estimated Tax Payments for 1986?**

Underpayment of Estimated Tax

If line 68 is $500 or more and more than 20% of the tax shown on your return, or you underpaid your 1985 estimated tax liability for any payment period, you may owe a penalty. Get **Form 2210 (Form 2210F** for farmers and fishermen) to see if you owe a penalty and to figure the amount of the penalty. If you owe the penalty, attach that form to Form 1040 to show how you figured it. If you do not owe the penalty because you annualized your income to figure the required payment for each payment period, also attach that form to Form 1040.

***Note:** The penalty may be waived under certain conditions. Get **Publication 505,** Tax Withholding and Estimated Tax, for details.*

If you underpaid your 1985 income tax, you will not owe a penalty or have to complete Form 2210 (or Form 2210F), if:

1. you had no tax liability for 1984;
2. you were a U.S. citizen or resident for all of 1984; and
3. your 1984 tax return was for a tax year of 12 full months.

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If you attach Form 2210 or 2210F, be sure you check the box below line 68. If you owe a penalty, show the amount in the space provided below line 68.

If you owe tax, add the penalty amount to the tax due and show the total on line 68. Or, if you are due a refund, subtract the penalty amount from the overpayment you show on line 65.

Should You Make Estimated Tax Payments for 1986?

In general, you do not have to make estimated tax payments if you expect that your 1986 Form 1040 will show a tax refund, or a tax balance due IRS of less than $500. If your total estimated tax (including any alternative minimum tax) is $500 or more, please get **Form 1040-ES.** It contains a worksheet that you can use to see if you have to make estimated tax payments.

Sign Your Return

Form 1040 is not considered a return unless you sign it. Your spouse must also sign if it is a joint return. If you are filing a joint return with your deceased spouse, see **Death of Taxpayer** on page 19.

Did You Have Someone Else Prepare Your Return? If you fill in your own return, the Paid Preparer's space should remain blank. Someone who prepares your return but **does not charge you, should not sign.**

Generally, anyone who is paid to prepare your tax return must sign your return and fill in the other blanks in the Paid Preparer's Use Only area of your return.

If you have questions about whether a preparer is required to sign your return, please contact an IRS office.

*The preparer required to sign your return **MUST:***

- *Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)*
- *Give you a copy of your return in addition to the copy to be filed with IRS.*

Tax return preparers should be familiar with their responsibilities. They should get **Publication 1045,** Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

Section 4
General Information

This section contains general information about items such as amending your tax return, how long to keep tax records, and filing a return for a deceased person.

Penalties and Interest

Interest. We will charge you interest on taxes not paid by their due date, even if an extension of time to file is granted. We will also charge you interest on penalties imposed for failure to file, gross valuation overstatements, and substantial understatements of tax. Interest is imposed on the penalty as of the due date of the return (including extensions) to the date of payment.

Late Filing of Return. You can avoid penalties for late filing by sending in your return by the due date. The law provides a penalty of 5% of the tax due for each month, or part of a month, the return is late (maximum 25%) unless you can show reasonable cause for the delay. If you file a return late, attach a full explanation to your return. If your return is more than 60 days late, the penalty will not be less than $100 or 100% of the balance of tax due on your return, whichever is less.

Late Payment of Tax. The penalty for not paying tax when due is ½ of 1% of the unpaid amount for each month or part of a month it remains unpaid. The maximum penalty is 25%. The penalty applies to any unpaid tax shown on the return. It also applies to any additional tax shown on a bill that is not paid within 10 days after the date of the bill. This penalty is in addition to interest charges on late payments.

***Note:** If you include interest or either of these penalties with your payment, identify and enter these amounts in the bottom margin of Form 1040, page 2. Do not include the interest or penalty amounts in **Amount You Owe** on line 68.*

Other Penalties. There are also other penalties that can be imposed for negligence, substantial understatement of tax, filing a frivolous return, and fraud. Get **Publication 17** for details on some of these penalties.

Penalty for frivolous return.—In addition to any other penalties, the law imposes a penalty of $500 for filing a frivolous return. A frivolous return is one which does not contain information needed to figure the correct tax or shows a substantially incorrect tax, because you take a frivolous position or desire to delay or interfere with the tax laws. This includes any alteration or striking out of the preprinted language above the space provided for your signature.

Voluntary Contributions To Reduce the Public Debt

If you wish to make a contribution to reduce the public debt, enclose a separate check with your income tax return and make it payable to "Bureau of the Public Debt." You may be able to deduct this contribution on your 1986 tax return. Please do not add it to any tax you may owe. If you owe tax, include a separate check for that amount payable to "Internal Revenue Service."

Address Change

If you move after you file your return and you are expecting a refund, you should notify the post office serving your old address. Also notify the IRS Service Center where you filed your return of your address change. This will help to forward your check to your new address as soon as possible.

Corresponding With IRS

Be sure to include your social security number in any correspondence with IRS.

How Long Should Records Be Kept?

Keep records of income, deductions, and credits shown on your return, as well as any worksheets used to figure them, until the statute of limitations runs out for that return. Usually this is 3 years from the date the return was due or filed, or 2 years from the date the tax was paid, whichever is later. Also keep copies of your filed tax returns as part of your records. You should keep some records longer. For example, keep property records (including those on your own home) as long as they are needed to figure the basis of the original or replacement property. For more details, get **Publication 552,** Recordkeeping for Individuals and a List of Tax Publications.

Where To File

Use the addressed envelope that came with your return. If you do not have one, or if you moved during the year, mail your return to the **Internal Revenue Service Center** for the place where you live. No street address is needed.

If you are located in: ▼	Use this address: ▼
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255
Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, New York (all other counties), Rhode Island, Vermont	Andover, MA 05501
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Arkansas, Indiana, North Carolina, Tennessee, Virginia	Memphis, TN 37501
American Samoa	Philadelphia, PA 19255
Guam	Commissioner of Revenue and Taxation Agana, GU 96910
Puerto Rico (or if excluding income under section 933) Virgin Islands: Nonpermanent residents	Philadelphia, PA 19255
Virgin Islands: Permanent residents	V. I. Bureau of Internal Revenue P.O. Box 3186 St. Thomas, VI 00801
Foreign country: U.S. citizens and those filing Form 2555 or Form 4563, even if you have an A.P.O. or F.P.O. address	Philadelphia, PA 19255
A.P.O. or F.P.O. address of:	Miami—Atlanta, GA 31101 New York—Holtsville, NY 00501 San Francisco—Fresno, CA 93888 Seattle—Ogden, UT 84201

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Requesting a Copy of Your Tax Return. If you need a copy of your tax return or tax account information, use **Form 4506,** Request for Copy of Tax Form or Income Tax Account Information. The charge for a copy of a return is $4.25. The charge for tax account information is $2.25.

Substitute Tax Forms

You may not use your own version of a tax form unless it meets the requirements contained in **Publication 1167** for acceptable privately designed and printed substitute tax forms. You can get Publication 1167 by writing to:

Forms Distribution Center
P.O. Box 25866
Richmond, VA 23260.

Amended Return

If you file your income tax return and later become aware of any changes you must make to income, deductions, or credits, file **Form 1040X,** Amended U.S. Individual Income Tax Return, to change the Form 1040, 1040A, or 1040EZ you already filed.

Note: *If your Federal return is changed for any reason, it may affect your state income tax liability. This would include changes made as a result of an examination of your return by the IRS. Contact your state tax agency for more information.*

Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE)

Free help is available in most communities to lower income, elderly, handicapped, and non-English speaking individuals in preparing Form 1040EZ, Form 1040A, and the basic Form 1040. Call the toll-free telephone number for your area for the location of the volunteer assistance site near you.

Death of Taxpayer

If the taxpayer died before filing a return for 1985, the taxpayer's spouse or personal representative must file and sign a return for the person who died if the deceased was required to file a return. A personal representative can be an executor, administrator, or anyone who is in charge of the taxpayer's property.

The person who files the return should write "deceased" after the deceased's name and show the date of death in the name and address space at the top of the return. Also write **"DECEASED"** across the top of the tax return.

If the taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

If your spouse died in 1985 and you did not remarry in 1985, you can file a joint return. You can also file a joint return if your spouse died in 1986 before filing a 1985 return. A joint return should show your spouse's 1985 income before death and your income for all of 1985. Also write "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

If you are claiming a refund as a surviving spouse filing a joint return with the deceased and you follow the above instructions, no other form is needed to have the refund issued to you. However, all other filers requesting a refund due the deceased must file **Form 1310,** Statement of Person Claiming Refund Due a Deceased Taxpayer, to claim the refund.

For more details, see **Tele-Tax Information** in the index (topic no. 128) or get **Publication 559,** Tax Information for Survivors, Executors, and Administrators.

Unresolved Tax Problems

IRS has a Problem Resolution Program for taxpayers who have been unable to resolve their problems with IRS. If you have a tax problem you have been unable to resolve through normal channels, write to your local IRS District Director or call your local IRS office and ask for Problem Resolution assistance.

The Problem Resolution Office will take responsibility for your problem and ensure that it receives proper attention. Although this office cannot change the tax law or technical decisions, it can frequently clear up misunderstandings that resulted from previous contacts.

Section 5

Instructions for Schedules to Form 1040

Instructions for Schedule A Itemized Deductions

Changes You Should Note

The following changes apply to tax years beginning in 1985.

Medical and Dental Expenses. Even if you do not claim your child as a dependent because of the rules explained on page 7 for **Children of Divorced or Separated Parents,** you may still deduct the medical and dental expenses you paid for your child.

Charitable Contributions. If your total deduction for gifts of property is over $500, you must complete and attach **Form 8283,** Noncash Charitable Contributions (Rev. Oct. 1985). Also, the standard mileage rate for use of a car in performing services for a charitable organization has increased to 12 cents a mile.

Purpose of Schedule

Some taxpayers must itemize their deductions and some should itemize because they will save money. See **You MUST Itemize Deductions** and **You Choose To Itemize** on pages 13 and 14.

If you itemize, you can deduct part of your medical and dental expenses, and amounts you paid for certain taxes, interest, contributions, casualty and theft losses, and other miscellaneous expenses. These are explained below.

Lines 1 through 5

Medical and Dental Expenses

Before you can figure your total deduction for medical and dental expenses, you must complete Form 1040 through line 33.

You may deduct only that part of your medical and dental expenses that is more than 5% of your adjusted gross income on Form 1040, line 33.

You should include all amounts you paid during 1985 (including amounts you paid for hospital, medical, and extra Medicare (Medicare B) insurance), but **do not** include amounts repaid to you, or paid to anyone else, by hospital, health or accident insurance, or your employer. Get **Publication 502** for information on insurance reimbursements. If you received a reimbursement of prior-year medical or dental expenses in 1985, see the instructions for Form 1040, line 22. **Do not** reduce your 1985 expenses by this amount.

When you figure your deduction, you may include medical and dental bills you paid for:

- Yourself.
- Your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules explained on page 7 for **Children of Divorced or Separated Parents.**
- Any person that you could have claimed as a dependent on your return if that person had not received $1,040 or more of gross income or had not filed a joint return.

Example.—You provided more than half of your mother's support but may not claim her as a dependent because she received $1,040 of wages during 1985. If part of your support was the payment of her medical bills, you may include that part in your medical expenses.

Note: *On line 2c list the medical expense and the amount of the expense. Enter one total in the total amount column on line 2c.*

Examples of Medical and Dental Payments You MAY Deduct

To the extent you were not reimbursed, you may deduct what you paid for:

- Medicines and drugs that required a prescription, or insulin.
- Medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists, and psychoanalysts (medical care only).
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help. If you pay someone to do both nursing and housework, you may deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Medical treatment at a center for drug addicts or alcoholics.
- Medical aids such as hearing aids (and batteries), false teeth, eyeglasses, contact lenses, braces, crutches, wheelchairs, guide dogs and the cost of maintaining them.
- Lodging expenses (but not meals) paid while away from home to receive medical care in a hospital or a medical care facility that is related to a hospital. Do not include more than $50 a night for each eligible person.
- Ambulance service and other travel costs to get medical care. If you used your own car, you may claim what you spent for gas and oil to go to and from the place you received the care; or you may claim 9 cents a mile. Add parking and tolls to the amount you claim under either method.

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Examples of Medical and Dental Payments You MAY NOT Deduct

You may not deduct the following:

- The basic cost of Medicare insurance (Medicare A).

Note: *If you are 65 or over and not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.*

- Life insurance or income protection policies.
- The 1.35% hospital insurance benefits tax withheld from your pay as part of the social security tax or paid as part of social security self-employment tax.
- Nursing care for a healthy baby. (You may qualify for the child and dependent care credit; get **Form 2441.**)
- Illegal operations or drugs.
- Medicines or drugs you bought without a prescription.
- Travel your doctor told you to take for rest or change.
- Funeral, burial, or cremation costs.

Publication 502 has a discussion of expenses that may and may not be deducted. It also explains when you may deduct capital expenditures and special care for handicapped persons.

Lines 6 through 10

Taxes You Paid

Taxes You MAY Deduct

- **State and local income taxes (line 6).** Include on this line state and local income taxes that were withheld from your salary and any estimated payments made. Also include payments you made in 1985 on a tax for a prior year. **Do not** reduce your deduction by either of the following amounts:

a. any state and local income tax refund (or credit) you expect to receive for 1985, or

b. any refund of (or credit for) prior-year state and local income taxes you actually received in 1985 (see the instructions for Form 1040, line 10).

- **Real estate taxes (line 7).** Include taxes that you paid on property you own that was not used for business. **Publication 530,** Tax Information for Owners of Homes, Condominiums, and Cooperative Apartments, explains the deductions homeowners may take.

If your mortgage payments include your real estate taxes, do not take a deduction for those taxes until the year the mortgage company actually pays them to the taxing authority.

- **General sales taxes (line 8).** The Sales Tax Tables (see index) show how much you may deduct for your income and family size if you did not keep detailed records. You may add to the sales tax table amount the general sales tax you paid if you bought:
- A car, motorcycle, motor home, or truck. (**Note:** Texas charges a higher motor vehicle sales or use tax than it does for other items. Figure how much you would have paid at the general sales tax rate and enter only that amount on line 8b.)
- A boat, plane, home (including mobile or prefabricated), or materials to build a new home if:

a. the tax rate was the same as the general sales tax rate, and

b. your sales receipt or contract shows how much tax was imposed on you and paid by you.

If you kept records that show you paid more state sales tax than the tables list, you may deduct the larger amount on line 8a. Separately show the sales tax you paid on any motor vehicle you bought in 1985 on line 8b. Include state or local selective sales or excise taxes if the rates were the same as the general sales tax rates.

If you use the Sales Tax Tables, count all available income. Follow the steps at the top of the first page of the tables to figure your available income and your deduction, especially if your total available income is more than $40,000.

- **Personal property taxes and other taxes (line 9).** If you had any deductible tax not listed on Schedule A, lines 6 through 8b (such as personal property or foreign income tax), list the tax and the amount of tax. Enter one total in the total amount column on line 9.

Personal property tax must be based on value alone. For example, if part of the fee you paid for the registration of your car was based on the car's value and part was based on its weight, you may deduct only the part based on value.

If you paid tax to a foreign country or U.S. possession, you may want to take it as a credit instead of a deduction. Please get **Publication 514,** Foreign Tax Credit for U.S. Citizens and Resident Aliens.

Taxes You MAY NOT Deduct

- Federal income tax.
- Social security tax.
- Railroad retirement tax (RRTA).
- Federal excise tax on transportation, telephone, gasoline, etc.
- Customs duties.
- Federal estate and gift taxes. (However, see **Miscellaneous Deductions** on page 21.)
- Windfall profit tax. (Use Schedules C or E of Form 1040 to deduct this tax.)
- Certain state and local taxes, including:

a. Tax on gasoline.
b. Car inspection fees.
c. Tax on liquor, beer, wine, cigarettes, and tobacco.
d. Assessments for sidewalks or other improvements to your property.
e. Taxes paid for your business or profession. (Use Schedules C, E, or F of Form 1040 to deduct business taxes.)
f. Tax you paid for someone else.
g. License fees (marriage, driver's, dog, hunting, etc.).
h. Per capita (head) tax.

Lines 11a through 14

Interest You Paid

Include interest you paid on nonbusiness items only.

In general, a cash basis taxpayer who in 1985 paid interest that includes amounts that apply to any period after 1985 may deduct only the amount that applies for 1985.

Note: *If, at the end of your tax year, you have a loan in existence whose term is in excess of 5 years and the loan agreement in any way refers to the "Rule of 78's," get* ***Publication 545,*** *Interest Expense, for information on how to figure the amount of interest you may deduct on the loan.*

Interest You MAY Deduct

- **Home mortgage interest (lines 11a and 11b).** Beginning in 1985, if you paid $600 or more of interest on your home mortgage, the recipient of this interest will generally send you a **Form 1098,** Mortgage Interest Statement, or similar statement, showing the total interest received during 1985. You should receive this statement by January 31, 1986. However, if you paid "points" (including loan origination fees), they will not be shown on this statement. Get Publication 545 to see if the points qualify as interest. If they do, report them on line 13. **Do not** include them on line 11a.

a. Line 11a. Report mortgage interest you paid directly, or indirectly, to financial institutions on line 11a. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage, and the other person received the Form 1098, or similar statement, attach a statement to your return showing the name and address of the person who received the form. In the far left margin, next to line 11a, write "see attached."

Note: *If you are claiming the Mortgage Interest Credit (see instructions for Form 1040, line 45), subtract the amount shown on line 3 of* ***Form 8396*** *from the total interest you paid on your home mortgage and enter the result on line 11a.*

b. Line 11b. Report mortgage interest you paid to individuals on line 11b. Also list this person's name and address in the space provided.

- **Credit card and charge account interest you paid (line 12).** Include on this line interest you paid on bank and other general purpose credit cards. Deduct the finance charge paid as interest if no part of it was for service charges, membership fees, loan fees, credit investigation fees, etc. Also include interest you paid on revolving charge accounts. Deduct any finance charge a retail store added if the charges are based on your monthly unpaid balance.
- **Other interest you paid (line 13).** List each interest expense and the amount. Enter one total in the total amount column on line 13. Include on this line interest you paid on—

a. Your personal note for money you borrowed from a bank, a credit union, or another person.

b. Loans on life insurance if you paid the interest in cash and you report on the cash basis.

c. Installment contracts on personal property, such as cars.

d. Taxes you paid late. Show only the interest; do not include any amount that is considered a penalty. If the tax is deductible, show it under **Taxes You Paid** (lines 6 through 9 of this schedule).

e. Loans on investment property. Report only the nonbusiness part of interest on these loans. (If your total investment interest on investment debts created after 1969 is more than $10,000 ($5,000 if married filing a separate return), you may

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have to complete **Form 4952,** Investment Interest Expense Deduction, to figure your correct deduction. Also get **Publication 550,** Investment Income and Expenses.)

***Note:** Special rules apply to interest expense imputed on below-market loans. Get Publication 545.*

Interest You MAY NOT Deduct

Do not include interest paid on your debts by others, such as mortgage interest subsidy payments made by a government agency. Also do not include the interest you paid for—

- Tax-exempt income. This includes interest on money you borrowed to buy or carry wholly tax-exempt securities. This also includes interest paid to purchase or carry obligations or shares, or to make deposits or other investments, to the extent any interest income received from the investment is tax-exempt.
- A loan on life insurance if the interest is added to the loan and you report on the cash basis.
- A debt to buy a single-premium life insurance or endowment contract.
- Any kind of business transaction. (Use Schedules C, E, or F of Form 1040 to deduct business interest expenses.)

Get Publication 545 for more details.

Lines 15a through 18

Contributions You Made

You may deduct what you actually gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals.

Examples of these organizations are:

- Churches, temples, synagogues, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys Club of America, etc.
- Fraternal orders, if the gifts will be used for the purposes listed above.
- Veterans' and certain cultural groups.
- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.
- Federal, state, and local governments if the gifts are solely for public purposes.

If you contributed to a charitable organization and also received a benefit from it, you may deduct only the amount that is more than the value of the benefit you received.

If you do not know whether you may deduct what you gave to an organization, check with that organization or with IRS.

Contributions You MAY Deduct

Contributions may be in cash (keep cancelled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drove to and from the volunteer work, you may take 12 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. (But don't deduct any amounts that were repaid to you.)

Line 15a. Enter on line 15a all of your cash contributions (including out-of-pocket expenses) **except** those that total $3,000 or more to any one organization.

Line 15b. Enter on line 15b cash contributions totaling $3,000 or more to any one organization. Show to whom and how much you gave in the space provided.

Line 16. Enter on line 16 your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. If your total deduction for gifts of property is more than $500, you must complete and attach **Form 8283,** Noncash Charitable Contributions (Rev. Oct. 1985). If your total deduction is over $5,000, you may also have to get appraisals of the values of the donated property. See Form 8283 and its instructions for details.

Recordkeeping. Beginning in 1985, if you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. You should also keep reliable written records for each gift of property that include the following information:

a. How you figured the property's value at the time you gave it. (If the value was determined by an appraisal, you should also keep a signed copy of the appraisal.)

b. The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.

c. How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.

d. Any conditions attached to the gift.

e. If the gift was a "qualified conservation contribution" under section 170(h), the fair market value of the underlying property before and after the gift, the type of legal interest donated, and the conservation purpose furthered by the gift.

***Note:** If your total deduction for gifts of property is over $500 or if you gave less than your entire interest in the property, your records should contain additional information. See **Publication 526,** Charitable Contributions, for details.*

See Publication 526 for special rules that apply if:

- Your cash contributions or contributions of ordinary income property are more than 30% of Form 1040, line 33,
- Your gifts of capital gain property to certain organizations are more than 20% of Form 1040, line 33, or
- You gave gifts of property that increased in value, made bargain sales to charity, or gave gifts of the use of property.

You MAY NOT Deduct As Contributions

- Political contributions (but see instructions for Form 1040, line 44).
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets.
- Cost of tuition.
- The value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).
- Gifts to:

a. Individuals.

b. Foreign organizations.

c. Groups that are run for personal profit.

d. Groups whose purpose is to lobby for changes in the laws.

e. Civic leagues, social and sports clubs, labor unions, and chambers of commerce.

Line 19

Casualty and Theft Losses

Use line 19 to report casualty or theft losses of property that is not trade, business, or rent or royalty property. Complete and attach **Form 4684,** Casualties and Thefts, or a similar statement to figure your loss. Enter on line 19 of Schedule A the amount of loss from Form 4684.

Losses You MAY Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat, and other accidents or similar causes.

You may deduct nonbusiness casualty or theft losses only to the extent that—

a. The amount of **EACH** separate casualty or theft loss is more than $100, and

b. The total amount of **ALL** losses during the year is more than 10% of your adjusted gross income on Form 1040, line 33.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. See Form 4684 for details.

Losses You MAY NOT Deduct

- Money or property misplaced or lost.
- Breakage of china, glassware, furniture, and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects, or disease.

Use line 22 of Schedule A to deduct the costs of proving that you had a property loss. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, get **Publication 547,** Nonbusiness Disasters, Casualties, and Thefts. It also gives information about Federal disaster area losses.

Lines 20 through 23

Miscellaneous Deductions

Expenses You MAY Deduct

Business Use of Home. You may not deduct expenses for business use of part of your home unless you use that part exclusively and on a regular basis in your work and for the convenience of your employer.

See **Tele-Tax Information** in the index (topic no. 237) or **Publication 587,** Business Use of Your Home, for details.

Educational Expenses. Generally, you may deduct what you paid for education required by your employer, or by law or regulations, to keep your present salary or job. In general, you may also deduct the cost of maintaining or improving skills you must have in your present position.

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You may not deduct some educational expenses. Among them are expenses for study that helps you meet minimum requirements for your job, or qualifies you to get a new job.

For more details, see **Tele-Tax Information** in the index (topic no. 238) or **Publication 508,** Educational Expenses.

Employee Expenses. Examples of the expenses you may deduct are:

- Safety equipment, small tools, and supplies you needed for your job.
- Uniforms your employer said you must have, and which you may not usually wear away from work.
- Protective clothing, required in your work, such as hard hats and safety shoes and glasses.
- Physical examinations your employer said you must have.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.

Note: *If your employer reimbursed you directly or indirectly for any educational expenses or employee expenses, you must use* ***Form 2106,*** *Employee Business Expenses, Part I, line 5, to deduct those expenses up to the amount you were reimbursed. Also use Form 2106 to deduct any related travel or transportation expenses.*

Expenses of Producing Income. You may deduct what you paid to produce or collect taxable income or to manage or protect property held for producing income.

Examples of these expenses are:

- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g., trust account) fees.

Qualified Adoption Expenses. You may be able to deduct up to $1,500 of **qualified adoption expenses** you paid for each child you adopt with "special needs."

A child with special needs is a child (for purposes of the Social Security Act adoption assistance program) whom the state determines cannot or should not be returned to his or her parental home, who has a specific factor or condition that makes placement difficult, and who has been the subject of an unsuccessful placement effort.

Gambling Losses. You may deduct gambling losses, but not more than the gambling winnings you reported on Form 1040, line 22.

Income in Respect of a Decedent. You may deduct the Federal estate tax attributable to income in respect of a decedent that is ordinary income.

Miscellaneous Expenses You MAY NOT Deduct

- Political contributions (but see instructions for Form 1040, line 44).
- Personal legal expenses.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from work.
- Education that you need to meet minimum requirements for your job or that will qualify you for a new occupation.
- Fines and penalties.
- Expenses of producing tax-exempt income.

For more details on miscellaneous expenses, get **Publication 529,** Miscellaneous Deductions.

Note: *On line 22 list the type and amount of each expense. Enter one total in the total amount column on line 22.*

Line 26

Excess Itemized Deductions

If line 24 is more than line 25, subtract line 25 from line 24 and enter the difference on Schedule A, line 26, and on Form 1040, line 34a.

Note: *You will receive the full benefit of your itemized deductions because the zero bracket amount you entered for your filing status on line 25 has been built into the Tax Table and Tax Rate Schedules for you.*

If line 25 is more than line 24, and you are required to itemize your deductions, write "TC" on Schedule A, line 26, and see the instructions for line 34a on page 13 for **You MUST Itemize Deductions**.

Instructions for Schedule B Interest and Dividend Income

Purpose of Schedule

Use Schedule B if you are filing Form 1040 and you:

- Had more than $400 in interest,
- Had more than $400 in dividends,
- Elect to exclude qualified reinvested dividends from a qualified public utility,
- Had a foreign account, or
- Were a grantor of, or transferor to, a foreign trust.

Part III of the schedule asks you to answer questions about foreign accounts and trusts.

Part I

Interest Income

To see what interest income you must report, read the instructions for Form 1040, line 8, on page 8.

The payer should send you a **Form 1099-INT** or **Form 1099-OID,** if applicable, showing interest you must report. If the total interest from all payers is over $400, fill in Part I and Part III of this schedule.

Line 1

Report on line 1 the interest portion of any payments you received from an individual based on a take-back mortgage or other form of seller financing that resulted from the sale of your home or other property. Show the payer's name and the amount.

Line 2

Report on line 2 **ALL** interest (other than seller-financed mortgage interest) that you received or that was credited to your account so you could withdraw it. List each payer's name and show the amount.

Nominees. Include on line 2 interest you received as a nominee for the actual owner. Several lines above line 3, put a subtotal of all interest income listed on line 2. Below this subtotal, write "Nominee Distribution" and show the interest amounts you received as a nominee. Subtract these amounts from the subtotal and write the result on line 3.

Note: *If you received interest as a nominee for the actual owner, give that person a* ***Form 1099-INT.***

Accrued Interest. When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller. If you received a Form 1099 for interest as a purchaser of a bond with accrued interest, follow the rules above under **Nominees** to see how to report the accrued interest on Schedule B. But identify the amount to be subtracted as "Accrued Interest."

Tax-Exempt Interest. If you received a **Form 1099-INT** for tax-exempt interest, such as from municipal bonds, follow the rules above under **Nominees** to see how to treat this interest on Schedule B. But identify the amount to be subtracted as "Tax-Exempt Interest."

Original Issue Discount (OID). If you are reporting OID in an amount less than the amount shown on **Form 1099-OID,** follow the rules above under **Nominees** or **Accrued Interest,** whichever applies, to see how to report the OID on Schedule B. But identify the amount to be subtracted as "OID Adjustment."

Line 3

Add up all the interest listed on lines 1 and 2 except as noted above under **Nominees, Accrued Interest, Tax-Exempt Interest,** and **Original Issue Discount.** Write the total on this line and also on Form 1040, line 8.

Part II

Dividend Income

To see what dividend income you must report, read the instructions for Form 1040, line 9a, on page 8.

Tax Tip: *Be sure to read the instructions on page 9 for line 9b to see if you can exclude any part of your dividend income.*

The payer should send you a **Form 1099-DIV** showing dividends you must report. If the total dividends from all payers are over $400, or you elect to exclude qualified reinvested dividends from a qualified public utility, fill in Part II. If the total is over $400, also fill in Part III.

Line 4

Report on line 4 **ALL** of your dividend income. Be sure to include capital gain and nontaxable distributions on this line. They will be deducted on lines 6 and 7. Include cash and the value of stock, property, or merchandise you received as a dividend. If you owned shares in a mutual fund, **Publication 564,** Mutual Fund Distributions, may be helpful.

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List the payer's name and show the amount of income. If the securities are held in a brokerage account, list the name of the brokerage firm as the payer.

Nominees. Include on line 4 all dividends you received, including dividends you received as a nominee, even if you later distributed some or all of this income to others. Several lines above line 5, put a subtotal of all dividends listed on line 4. Below this subtotal write "Nominee Distribution" and show the amounts you received as a nominee. Subtract these amounts from the subtotal and write the result on line 5.

Note:** If you received dividends as a nominee for the actual owner, give that person a **Form 1099-DIV.

Line 5

Add the amounts you listed on line 4 except as noted above under **Nominees.** Write the total on this line.

Line 8

If you choose under a dividend reinvestment plan of a qualified public utility to receive dividends in "qualified common stock" rather than in cash or other property, you may elect to exclude up to $750 ($1,500 on a joint return) of the qualified common stock dividends distributed to you in 1985. This exclusion does not apply to nonresident aliens, or persons owning more than 5% of the voting power or value of stock in the distributing corporation. For more details, get **Publication 550.**

***Caution:** If you choose to exclude the value of the qualified common stock dividend, you may not revoke the election for that dividend without the consent of IRS.*

On line 8 write the amount you are excluding in 1985. On line 4 write "DR" next to the payer's name to identify the dividend you are excluding from income.

***Note:** If you exclude the value of stock received in a reinvestment plan of a qualified public utility, your basis in the stock is zero.*

Part III

Foreign Accounts and Foreign Trusts

Fill in this part if you had more than $400 of interest or dividend income; if you had a foreign financial account; or if you were the grantor of, or transferor to, a foreign trust.

Line 11

Check the **Yes** box if either 1 or 2 below applies to you.

1. At any time during the year you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). Exception: Check **No** if any of the following applies to you.

- The combined value of the accounts was $5,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.
- You are an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account is in your employer's name; **AND** you do not have a personal financial interest in the account.
- You are an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than $1 million and 500 or more shareholders of record; the account is in your employer's name; you do not have a personal financial interest in the account; and the corporation's chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

2. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Get **Form TD F 90-22.1** to see if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

If you checked **Yes** to question 11, file Form TD F 90-22.1 by June 30, 1986, with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return, so **do not** attach it to Form 1040 or file it with the IRS. But be sure to **file your Form 1040 with the IRS.**

You can get Form TD F 90-22.1 from many IRS offices or by writing to the IRS Forms Distribution Center for your state, as shown on the inside back cover.

If you checked **Yes** to question 11, write the name of the foreign country or countries in the space provided. Attach a separate sheet if you need more space.

Instructions for Schedule D

Capital Gains and Losses and Reconciliation of Forms 1099-B

Changes You Should Note

A new Part I, Summary of Forms 1099-B for Sales of Stocks, Bonds, Etc., has been added. You should complete line 1a of Part I and also Part VII of Schedule D if you received one or more **Forms 1099-B** or equivalent statements, such as a broker's confirmation, for 1985.

Purpose of Schedule

Use Schedule D (Form 1040) to report a sale or exchange of a capital asset and to reconcile Forms 1099-B to your tax return. See the **Capital Asset** section for the definition of capital assets. Schedule D is also used to report gains from involuntary conversions of capital assets that are not held in connection with a trade or business or a transaction entered into for profit.

Use **Form 4797,** Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, instead of Schedule D to report the following:

- The sale or exchange of trade or business property, depreciable and amortizable property, oil, gas, and geothermal property, and section 126 property.
- The involuntary conversion (other than by casualty or theft) of trade or business property and capital assets held in connection with a trade or business or a transaction entered into for profit.
- Disposition of other noncapital assets not mentioned above.

Use **Form 4684,** Casualties and Thefts, to report involuntary conversions of property due to casualty or theft.

Get **Publication 544,** Sales and Other Dispositions of Assets, and **Publication 550,** Investment Income and Expenses, for more information.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, and stocks and bonds are capital assets.

A capital asset is any property held by a taxpayer except the following:

a. Stock in trade or other property included in inventory or held for sale to customers.

b. Accounts or notes receivable you received for services in the ordinary course of your trade or business, or from the sale of any property described in **a**, or for services you performed as an employee.

c. Depreciable property used in your trade or business even if it was fully depreciated.

d. Real property (real estate) used in your trade or business.

e. A copyright, a literary, musical, or artistic composition, a letter or memorandum, or similar property:

1. created by your personal efforts; or
2. prepared or produced for you (in the case of a letter, memorandum, or similar property); or
3. that you received from a taxpayer mentioned in 1 or 2, in a way (such as by gift) that entitled you to the basis of the previous owner.

f. U.S. Government publications (including the Congressional Record) that you received from the government, other than by purchase at the normal sales price, or that you got from another taxpayer who had received it in a similar way, if your basis is determined by reference to the previous owner.

Short-Term or Long-Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for long-term capital gains and losses is more than 6 months for acquisitions after 6/22/84 (more than 1 year if acquired before 6/23/84).

To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it. Use the trade dates for date acquired and date sold for stocks and bonds on an exchange or over the counter market.

A nonbusiness bad debt must be treated as a short-term capital loss.

Capital Losses

The capital loss that can be applied against other income after offsetting capital gains is limited to $3,000 ($1,500 if married filing a separate return).

Unused capital losses are carried over to later years to the extent allowed until fully used. If any of your capital losses are from

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before 1970, use **Form 4798,** Carryover of Pre-1970 Capital Losses, Part II, to figure your capital loss carryovers. If all of your capital losses were after 1969, use Schedule D, Part V to figure your capital loss carryovers.

Losses That Are Not Deductible

Do not deduct a loss from the sale or exchange of property, directly or indirectly, between any of the following:

- Members of a family.
- A corporation and an individual or a fiduciary owning more than 50 percent of the corporation's stock (not counting liquidations).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a fiduciary or beneficiary of another trust created by the same grantor.
- An individual and a tax-exempt organization controlled by the individual or the individual's family.
- A partnership and a corporation if the same taxpayers own directly or indirectly more than 50 percent of the capital interest, or profits interest, in the partnership or corporation.

If you dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the instructions for **Form 6198,** Computation of Deductible Loss From an Activity Described in Section 465(c).

Items for Special Treatment and Special Cases

The following items may require special treatment:

- Transactions by a securities dealer.
- Wash sales of stock or securities.
- Bonds and other evidence of indebtedness.
- Certain real estate subdivided for sale which may be considered a capital asset.
- Distributions received from an employee pension, profit-sharing, or stock bonus plan. (See **Form 4972,** Special 10-Year Averaging Method, or **Form 5544,** Multiple Recipient Special 10-Year Averaging Method. Also, see **Publication 575,** Pension and Annuity Income.)
- Gain on the sale of depreciable property to an 80% owned entity, or to a trust of which you are a beneficiary.
- Gain on disposition of stock in an Interest Charge Domestic International Sales Corporation.
- Gain on the sale or exchange of stock in certain foreign corporations.
- Gain or loss on options to buy or sell, including closing transactions.
- Transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust or partnership.
- Transfer of property to a partnership which would be treated as an investment company if the partnership were incorporated.
- Gain on the sale of qualified reinvested dividends from a qualified public utility. See **Publication 550,** Investment Income and Expenses, for details.
- Transfer of appreciated property to a political organization.
- Loss on sale, exchange, or worthlessness of small business stock (section 1244 stock).

For rules on nontaxable exchanges, gifts of property, and inherited property, see Publication 544.

For treatment by shareholders of corporate liquidations, see **Publication 542,** Tax Information on Corporations.

For information on mutual fund transactions, see **Publication 564,** Mutual Fund Distributions.

Exchange of Like-Kind Property

Report the exchange of "like-kind" property even though no gain or loss is recognized when you exchange business or investment property for property of "like-kind." For exceptions, see Publication 544.

Identify in column (a) the property you disposed of. Enter the date you acquired it in column (b), and the date you exchanged it in column (c). Write "like-kind exchange" in column (d). Enter the cost or other basis in column (e). Enter zero in columns (f) and (g).

Sale or Exchange (Other Than Involuntary Conversion) of Capital Assets Held for Personal Use

This type of gain is a capital gain. Report it on Schedule D, Part II or Part III. Loss from the sale or exchange of this property is not deductible.

Disposition of Partnership Interest

A sale or other disposition of an interest in a partnership may result in ordinary income. See **Publication 541,** Tax Information on Partnerships, and Publication 544.

Long-Term Capital Gains From Regulated Investment Companies

Include in income as a long-term capital gain the amount(s) shown on **Form 2439** that represents your share of the undistributed capital gains of a regulated investment company. Enter the tax paid by the company as shown on Form 2439 on line 63 of Form 1040. Add to the basis of your stock, the excess of the amount included in income over the credit.

Sale of Residence

Use **Form 2119,** Sale or Exchange of Principal Residence, to report a gain from the sale of your principal residence whether or not you bought another one. For more information, see **Publication 523,** Tax Information on Selling Your Home.

Installment Sales

If you sold property at a gain, and you will receive a payment in a tax year after the year of sale, you must report the sale on the installment method unless you elect not to. Use **Form 6252,** Computation of Installment Sale Income. Also use Form 6252 if you received a payment in 1985 for a sale made in an earlier year on the installment method.

If you are a cash basis taxpayer and you are using the installment method for a year-end stock sale when payment will be received in the following year, report the sale on Schedule D in the year you receive the payment.

If you want to elect out of the installment method, report the sale as follows on a timely filed return (including extensions):

(1) Report the full amount of the sale on Schedule D.

(2) If you received a note or other obligation and are reporting it at less than face value (including all contingent payment obligations), complete Part VI. If you received more than one, enter the amounts separately in the spaces in Part VI.

Investment Interest Expense Deduction Adjustment

If you have an entry on **Form 4952,** line 20, and Schedule D, line 21 (or Form 4798, line 8), part or all of line 20 of Form 4952 may be treated as ordinary income.

Determine the ordinary income for Schedule D or Form 4798 as follows:

Step 1—In a separate computation, reduce line 20 of Form 4952 by the amount by which line 15 of that form is more than the sum of lines 16 through 19 of that form.

Step 2—Ordinary income will be the smaller of step 1 or line 21 of Schedule D (or line 8 of Form 4798).

Enter the ordinary income in the margin to the right of line 21 of Schedule D (or line 8, Part I of Form 4798). Identify by writing next to it: "From Form 4952." Subtract the ordinary income from the gain on lines 20 and 21 of Schedule D (or lines 7 and 8, Part I of Form 4798). In addition, enter the ordinary gain on line 15, Part II of Form 4797. If you do not use Form 4797 for other transactions, enter it on Form 1040, line 15 and identify it in the margin as "From Form 4952."

Section 1256 Contracts and Straddles

Use **Form 6781,** Gains and Losses From Section 1256 Contracts and Straddles, to report gains and losses from section 1256 contracts and straddles. See **Publication 550,** Investment Income and Expenses, for more information.

Specific Instructions

***Note:** If you attach your own schedule to show detail of gain or (loss), enter on Schedule D, lines 5 and 13, the total gain and the total loss. Do not combine the total gain with the total loss.*

Column (d)

Gross Sales Price

Enter in this column the gross sales price from the sale. On sales of stocks and bonds, report the gross amount reported to you by your broker on **Form 1099-B,** or similar statement. However, if the broker advised you that gross proceeds less commissions and option premiums were reported to IRS, enter that net amount in column (d). If the net amount is entered in this column, do not include the commissions and option premiums in column (e).

Column (e)

Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions, improvements, and minus depreciation, amortization, and depletion. If you inherited the property or got it as a gift, in a tax-free

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exchange, involuntary conversion, or "wash sale" of stock, you may not be able to use the actual cash cost as the basis. If you do not use cash cost, attach an explanation of your basis.

When selling stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits.

The basis of property acquired by gifts generally is the basis of the property in the hands of the donor.

The basis of property acquired from a decedent is generally the fair market value at the date of death.

If a charitable contribution deduction is allowed because of a sale of property to a charitable organization, the adjusted basis for determining gain from the sale is an amount which has the same ratio to the adjusted basis as the amount realized has to the fair market value.

Increase your cost or other basis by any expense of sale such as broker's fee, commission, and option premium before making an entry in column (e), unless you reported net sales price in column (d).

For more information, see **Publication 551**, Basis of Assets.

Line 7

Short-Term Capital Loss Carryover From Years Beginning After 1969

Enter the amount from your 1984 Schedule D (Form 1040), line 30, or your 1984 Form 4798, Part II, line 20.

Line 18

Long-Term Capital Loss Carryover From Years Beginning After 1969

Enter the amount from your 1984 Schedule D (Form 1040), line 36, or your 1984 Form 4798, Part II, line 26.

Note: *If you used Form 4798 in 1984 and had an entry in Part II, line 17 or 23, use Form 4798 in 1985 instead of completing Schedule D, Parts IV or V.*

Line 25c

(or Form 4798, Part I, line 30c)

Taxable Income as Adjusted

Figure your taxable income, as adjusted, with a separate calculation. Do this in the following way:

a. Figure the amount from Form 1040, line 35, without regard to gains and losses from sales or exchanges of capital assets.

b. Subtract from the amount in **a** one of the following:

1. $2,390 if you are filing as single or head of household.

2. $3,540 if you are married filing a joint return or you are a qualifying widow(er) with a dependent child.

3. $1,770 if you are married filing a separate return.

Part VII

Reconciliation of Forms 1099-B With Tax Return

This part will enable IRS to compare amounts reported by brokers and barter exchanges with amounts reported on your return.

Enter on line 38 amounts you reported on Schedule D that were not reported to you on Form 1099-B or a similar statement.

For example, you report a year-end stock sale in 1985 but your broker includes it on a Form 1099-B sent to you for 1986. Also include proceeds from transactions that do not require a Form 1099-B on this line.

Enter on line 40 amounts reported to you on Form 1099-B that you are not reporting on Schedule D. For example, if you receive a Form 1099-B for an item that represents a return of capital, attach a statement and note "no gain or loss, return of capital."

Instructions for Schedule E Supplemental Income

Changes You Should Note

- Part V, which is used to report depreciation only if you have property placed in service before 1980, is now optional.
- If you claim any expenses for use of an automobile or other "listed property" in a trade or business or for the production of income, you must complete the appropriate sections of Part III of **Form 4562,** Depreciation and Amortization. For more information, see **Publication 534,** Depreciation.
- The partnership and S corporation sections in Part II have been combined. If you have income or (loss) from a partnership or an S corporation, or both, please identify each entry by writing "P" for partnership or "S" for S corporation in column (b) of Part II.

Purpose of Schedule

Use Schedule E to report income or (loss) from rents and royalties, partnerships, S corporations, and estates and trusts.

Note: *If you attach your own schedules to report income or (loss) from any of these sources, use the same format as the Schedule E. Enter separately on Schedule E the total of net income and the total of net loss for each part.* ***DO NOT*** *combine the total of net income with the total of net loss on the separate schedules.*

At-Risk Rules (Parts I and II)

If you have (1) a loss from any activity that you, your partnership, or S corporation engaged in as a trade or business or for the production of income, except the holding of real property (other than mineral property), and (2) you have amounts for which you are not at risk in the activity, use **Form 6198,** Computation of Deductible Loss From an Activity Described in Section 465(c), to determine the allowable loss to report on Schedule E.

Amounts for which you are not at risk are amounts such as the following:

1. nonrecourse loans used to finance the activity, acquire property used in the activity, or acquire your interest in the activity unless they are secured by property not used in the activity;

2. amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement;

3. loans from someone who has an interest in the activity, other than as a creditor, or who is related, under section 168(e)(4), to a person (other than yourself) having such an interest; or

4. amounts contributed to the activity, or to your interest in the activity that is covered by:

- nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
- loans from a person described in 3 above.

For more details, get **Publication 536,** Net Operating Losses and the At-Risk Limits.

The at-risk rules may apply to a member of a partnership or joint venture, shareholder in an S corporation, or lessor of certain property. Generally, the amount you have at risk limits the loss you can deduct for any tax year.

Partners and S corporation shareholders should get a separate statement of income, expenses, deductions, and credits for each activity engaged in by the partnership and S corporation. See Form 6198 and the related instructions for more information.

If, in addition to the amount that you report on Schedule E, you sell or otherwise dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the instructions for Form 6198.

If you have amounts that are not at risk, get Form 6198 to determine the amount of deductible loss. If the loss is from Part I, Schedule E, enter the deductible amount in the appropriate column(s) on line 21. If the loss is from Part II, Schedule E, enter the deductible amount in column (e).

Any loss from an activity not allowed for the tax year is treated as a deduction allocable to the activity in the next tax year.

Part I

Rental and Royalty Income or Loss

Generally, you should use this part to report rental and royalty income. Report rents from property you own or control, including room and other space rentals. However, if you provided services to the renter, or if your business was selling real estate, report the income on **Schedule C (Form 1040).** For more information on rental income and expenses, see **Tele-Tax Information** in the index (topic no. 143) or get **Publication 527,** Rental Property.

Report royalties from oil, gas, or mineral properties, copyrights, and patents. However, if you hold an operating oil, gas, or mineral interest, or are in business as a self-employed writer, inventor, artist, etc., report gross income and expenses on Schedule C.

If you use Part I to report rental and royalty income, enter your rental and royalty expenses for each property in the appropriate columns on lines 4 through 20.

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If you have a loss from an activity except the holding of real property (other than mineral property), see the **At-Risk Rules** on page 25.

If you have more than three rental or royalty properties, complete and attach as many Schedules E as are needed to list the properties. Complete lines 1 and 2 for each property. However, fill in the "Totals" column for lines 3, 10, 18, 19, and 22 through 26 on only one Schedule E. The figures in the total column on that Schedule E should be the combined totals of all the schedules.

If you also need to use page 2 of Schedule E, use the same Schedule E that you used to enter the combined totals in Part I.

Rentals

If you were not in the real estate sales business and you received rent from property you own or control, report it on line 3a. If you received services or property, instead of money, as rent, report its fair market value.

You can deduct an amount for the depreciation of rental property. You can also deduct all normal expenses, such as taxes, interest, repairs, insurance, maintenance, and agent's commissions.

Property subject to a net lease or held for investment purposes is considered investment property. Generally, the interest deduction on debts incurred to acquire such property is subject to limitations. If your total interest on investment debts created after 1969, including investment interest from all other sources, is more than $10,000 ($5,000 if married filing separately), see **Form 4952,** Investment Interest Expense Deduction.

Do not deduct the value of your own labor. Do not deduct capital investments or improvements; instead add these to the basis of the property for depreciation. Example: A landlord can deduct the cost of minor repairs, but not the cost of major improvements, such as a new roof.

Renting Out Part of Your Home

If you rent out only part of your home or other property, deduct the part of your expenses that apply to the rented part.

Renting Out a Home That Is Also Used for Personal Purposes

Generally, you may deduct only those expenses which apply to the time that the home or other dwelling unit is rented out. A dwelling unit includes a house, apartment, condominium, mobile home, boat, or similar property. Also, if you or your family used the property as a residence, certain expenses cannot be more than the gross rental income. Only interest, taxes, and casualty losses do not have to be limited. Generally, a home or other dwelling unit is used as a residence if you or your family used it for personal purposes for more than the greater of:

a. 14 days, or

b. 10% of the number of days during 1985 that the property was actually rented out at a fair rental.

A day of personal use is any day, or part of a day, that the unit is used—

- for personal purposes by you, or any other person who has an interest in it, unless the unit is rented to that person under a shared equity financing agreement, or
- by a member of your family or family member of any other person who has an interest in it, unless the unit is rented at fair rental as that person's residence, or
- by anyone under an arrangement that lets you use some other dwelling unit, or
- by anyone at less than fair rental.

If you used the property as a residence and rented it out for less than 15 days, you may not deduct any rental expenses. However, if you itemize your deductions, you may deduct any interest, taxes, and casualty losses on **Schedule A (Form 1040).** You do not have to report the rental income.

Family includes **ONLY** brothers, sisters, half brothers, half sisters, spouse, ancestors (parents, grandparents, etc.), and lineal descendants (children, grandchildren, etc.).

Mortgage Interest Paid to Financial Institutions

If you have a mortgage on your rental property, enter on line 10 the interest you paid to financial institutions. Be sure to fill in the "Totals" column.

If you paid $600 or more of interest on this mortgage, you should receive a **Form 1098,** Mortgage Interest Statement, or similar statement, showing the total interest received from you during 1985. You should receive this statement by January 31, 1986. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of the person who received the Form 1098. In the left margin, next to line 10, write "see attached."

Royalties

Report on line 3b royalties from oil, gas, or mineral properties; copyrights; and patents, not including operating oil, gas, or mineral interests. If you are in business as a self-employed writer, inventor, artist, etc., report income and expenses on Schedule C (Form 1040). Under certain circumstances, you can treat amounts received as "royalties" for transfer of a patent or amounts received on the disposal of coal and iron ore as the sale of a capital asset. For more details, get **Publication 544,** Sales and Other Dispositions of Assets.

If state or local taxes were withheld from oil or gas payments you received, enter on line 3b the gross amount of royalty. Include the taxes withheld by the producer on line 14, but **DO NOT** include on line 14 the amount of windfall profit taxes actually withheld in 1985. Instead, enter that amount in Part III, line 34.

Enter your depletion deduction on line 19. See **Publication 535** for information on depletion.

Rental Income From Farm Production or Crop Shares

Report farm rental income and expenses on **Form 4835,** Farm Rental Income and Expenses, if you meet these two tests:

a. You received rental income that was based on crops or livestock produced by the tenant.

b. You did not manage or operate the farm to any great extent.

Note: *For purposes of the estimated tax penalty, income received from your share of crops and rental based on farm production is considered income from farming.*

If you use Form 4835, enter on line 25 of Schedule E the net farm rental profit or (loss) from Form 4835, line 35.

Certified Historic Structures

If you own a certified historic structure and pay or incur certain capital expenditures to rehabilitate it, special rules apply. See **Publication 535,** Business Expenses, for more information.

Expenses To Rehabilitate Low-Income Housing

You may amortize over a 60-month period up to $20,000 of the costs you paid or incurred in 1985 to rehabilitate qualified low-income housing. Get Publication 535 for more details.

Deduction for Removal of Barriers to the Handicapped and Elderly

You can deduct up to $35,000 of the costs you paid or incurred in 1985 to remove architectural or transportation barriers to the handicapped and the elderly. Get Publication 535 for more details.

Part II

Income or Losses From Partnerships, S Corporations, Estates, or Trusts

Tax Shelter Registration Number. A person who sells (or otherwise transfers) to you an interest in a tax shelter must maintain a list of investors and give you the tax shelter registration number assigned to the tax shelter. You must attach to your tax return **Form 8271,** Investor Reporting of Tax Shelter Registration Number, to report this number. Penalties are provided if you fail to report this number on your tax return.

Note: *If you need additional space in Part II to list your income or losses, attach a continuation sheet. However, be sure to complete columns (e) and (f) of line 27 or line 31, as appropriate.*

Include your share of tax preference items on **Form 6251,** Alternative Minimum Tax.

Partnerships

If you are a member of a partnership or joint venture, include in this part your share of the partnership income (whether you received it or not) or net loss for the partnership tax year that ends during the year covered by your return. You should receive a **Schedule K-1 (Form 1065)** from the partnership. Do not attach the schedule to your return. Keep it for your records.

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If you have other partnership items, such as depletion, show each item on a separate line in Part II. If you have unreimbursed partnership expenses, show them on a separate line and enter the amounts in column (e). If you are claiming a deduction for recovery property (section 179), enter the amount of this deduction on line 29 of Schedule E.

***Note:** The amount of your section 179 deduction from **ALL** sources cannot be more than $5,000 ($2,500 if you are married filing a separate return).*

Part or all of your share of partnership income or loss from the operation of the business may be considered net earnings from self-employment that must be reported on **Schedule SE (Form 1040).** Enter the amount from Schedule K-1 (Form 1065), line 13a, on Schedule SE, Part I, after you have reduced this amount by any section 179 deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas partnerships. Get **Publication 535** to determine the allowable depletion deduction.

If you have a loss, see the **At-Risk Rules** on page 25.

For more information for this part, please see your copy of Schedule K-1 (Form 1065) and **Partner's Instructions for Schedule K-1 (Form 1065).** If you did not receive a copy of these instructions with your Schedule K-1 (Form 1065), you can get a copy at most IRS offices.

If you are treating partnership items on your tax return differently from the way the partnership reported the items on its return, you may have to file **Form 8082,** Notice of Inconsistent Treatment or Amended Return.

If you have losses or deductions from a prior year that you could not deduct in the prior year because of the at-risk rules or basis rules, do not combine the prior-year amounts with any current-year amounts to arrive at a net figure to report on Schedule E. Instead, report on separate lines on Schedule E prior-year amounts and current-year amounts.

S Corporations

If you are a shareholder of an S corporation, you should receive a **Schedule K-1 (Form 1120S)** from the S corporation. Do not attach the schedule to your return. Keep it for your records. Report your share of the income (whether you received it or not) or net loss of the corporation on Schedule E in the same manner as the income or loss of a partnership. Your share of the net income is **NOT** subject to self-employment tax. Also, distributions of prior-year accumulated earnings and profits of all S corporations are dividends and are reported on **Schedule B (Form 1040).** For more information, get **Publication 589,** Tax Information on S Corporations.

If you have a loss, see the **At-Risk Rules** on page 25.

If you are treating S corporation items on your tax return differently from the way the S corporation reported the items on its return, you may have to file **Form 8082.**

If you are claiming a deduction for recovery property (section 179), enter the amount of this deduction on line 29 of Schedule E.

***Note:** The amount of your section 179 deduction from **ALL** sources cannot be more than $5,000 ($2,500 if you are married filing a separate return).*

If you are a shareholder claiming a deduction for your share of the S corporation's net operating loss, attach to your return a computation of the adjusted basis of your stock in the corporation and the adjusted basis of any debt the corporation owes you. Your deduction is limited to that amount. However, any amount not allowed this year may be carried forward and deducted in a later year in which you have sufficient basis in the stock and debt. See Publication 589 for information on adjustments to basis.

Estates and Trusts

If you are a beneficiary of an estate or trust, you should receive a **Schedule K-1 (Form 1041)** from the fiduciary. Do not attach the schedule to your return. Keep it for your records. Report your taxable part of the income (whether you received it or not) as follows:

- Dividends qualifying for the dividend exclusion—enter on **Schedule B (Form 1040),** Part II, line 4. If total dividends received from all sources are $400 or less, enter the total on Form 1040, line 9a. Do not list them on Schedule B.
- Capital gains—**Schedule D (Form 1040).**
- Other taxable income less deductions—Schedule E, Part II.

For more information, contact the fiduciary or see Schedule K-1 (Form 1041).

If you have a loss, see the **At-Risk Rules** on page 25.

A U.S. person who transferred property to a foreign trust may have to include in income the income received by the trust as a result of the transferred property if, during 1985, the trust had a U.S. beneficiary. For more information, see **Form 3520-A,** Annual Return of Foreign Trust With U.S. Beneficiaries.

Part III

***Caution:** If you are a member of a partnership, the amounts entered on lines 33 and 34 may affect your net earnings from self-employment on Schedule SE.*

Line 33

In certain situations, you must report as income on line 33 the amount of any credit or refund of overpaid windfall profit tax you received in 1985 for tax year 1984, based on overwithholding or the net income limitation.

In general, the amount of credit or refund you received is income to the extent you deducted windfall profit tax withheld in 1984 on Schedule E, and received a tax benefit for the deduction on your 1984 tax return. For more information, see the instructions for **Form 6249,** Computation of Overpaid Windfall Profit Tax.

Line 34

If you are a cash method taxpayer, deduct on line 34 the amount of windfall profit tax actually withheld in 1985.

Part IV

Line 37

Enter on this line your total share of gross farming and fishing income as shown on Form 4835, line 8, Schedule K-1 (Form 1065), line 13b, Schedule K-1 (Form 1120S), line 19, and Schedule K-1 (Form 1041), line 10.

You will not be charged a penalty for underpayment of estimated tax if you meet the following tests:

- your gross farming or fishing income for 1984 or 1985 is at least two-thirds of your gross income, and
- you file your 1985 tax return and pay the tax due by March 3, 1986.

Part V

Depreciation

You can deduct an amount each year for property you buy to use in your business or hold to produce investment income. The deduction does not apply to land and personal use property.

Generally, you **MUST** use the Accelerated Cost Recovery System (ACRS) for all property you place in service after December 31, 1980.

The use of Part V is optional. You may use the worksheet to figure depreciation only on property placed in service before 1981. However, if you placed any property in service after 1980, you must also get **Form 4562,** Depreciation and Amortization, to report your depreciation on all property. Enter in Part I, line 19, the amount from Form 4562, Part I.

For more information on depreciation, see the instructions for Form 4562 and **Publication 534,** Depreciation.

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Instructions for Schedule C Profit or (Loss) From Business or Profession

Changes You Should Note

Depreciation. For "passenger automobiles" placed in service after April 2, 1985, the depreciation deduction for each vehicle, including any section 179 deduction, is limited to $3,200 in the first year, and $4,800 in each succeeding year. These amounts are further reduced if your business use is less than 100%. See the instructions for **Form 4562,** Depreciation and Amortization, and **Publication 534,** Depreciation, for details.

If you have listed property (such as an automobile or light truck) that you placed in service in a prior year for which you claimed a depreciation deduction, and the business use percentage of the property decreased to 50% or less during 1985, you may have to recapture excess depreciation including the section 179 expense deduction. See **Form 4797,** Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, and its instructions for details.

New Reporting Information Required for Listed Property. For 1985, if you claim any expenses, including depreciation or lease payment deduction, for any listed property, you must complete Part III of Form 4562. See the instructions for Form 4562 and Publication 534 for details.

Principal Business Codes. Beginning in 1985, you must enter on line B a code that identifies your principal business or professional activity. See the instructions on page 2 of Schedule C for details.

Purpose of Schedule

If you operated a business or practiced a profession as a sole proprietorship, complete **Schedule C.** If you had more than one business, or if you and your spouse had separate businesses, you must complete a Schedule C for each business. Farmers should use **Schedule F.**

Deduct interest, taxes, and casualty losses not related to your business as itemized deductions on **Schedule A.**

Report sales, exchanges, and involuntary conversions (other than casualty or theft) of trade or business property on Form 4797.

Use **Form 4684,** Casualties and Thefts, to report a casualty or theft involving trade or business, or income-producing property.

You must pay social security self-employment tax on income from any trade or business unless you are specifically excepted. Please see **Schedule SE.**

For more details about business income and expenses, get **Publication 334,** Tax Guide for Small Business. It contains more information regarding the line items discussed below.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other non-employee compensation, interest, rents, royalties, annuities, and pensions, or for sales by you of $5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other basis for resale. For more information, see instructions for **Form W-3,** Transmittal of Income and Tax Statements, **Form W-3G,** Transmittal of Certain Information Returns, Instructions for Form 1099 Series, 1098, 5498, and 1096, and **Publication 916,** Information Returns.

In addition, if you receive cash of more than $10,000 in one or more related transactions in the course of your trade or business, you may have to file **Form 8300.** See the instructions for Form 8300 for details.

Line A

Principal Business or Profession

Describe the business or professional activity that provided your principal source of sales or receipts included on Schedule C, Part I, line 1a. Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), then also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line C

Business Name and Address

Use your home address only if you actually conducted the business from your home. You should show a street address instead of a box number.

Line D

Employer Identification (ID) Number

You don't need an employer ID number unless you had a Keogh plan or were required to file an employment, excise, or alcohol, tobacco, and firearms tax return.

Line E

Valuation Methods

Your inventories can be valued at:

- cost,
- cost or market value, whichever is lower, or
- any other method approved by the Commissioner of Internal Revenue.

Line F

Accounting Methods

You must use the cash method on your return unless you kept account books. If you kept such books, you can use the cash method, accrual method, or in some cases, the completed contract or percentage-of-completion method. The method used must clearly reflect your income.

To change your accounting method (including the treatment of any item such as inventories or bad debts), you must usually first get the permission of the Commissioner of Internal Revenue. In general, file **Form 3115** within the first 180 days of the tax year in which you want to make the change.

If you use the **cash method,** show all items of taxable income actually or constructively received during the year (in cash, property, or services). Also show amounts actually paid during the year for deductible expenses. Income is constructively received when it is credited to your account or set aside for you to use.

If you use the **accrual method,** report income when you earn it and deduct expenses when you incur them, even if you do not pay them during the tax year.

Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules also apply that determine the timing of deductions based on economic performance. See **Publication 538,** Accounting Periods and Methods, for details.

Line H

Business Use of Your Home

Within certain limits, you may deduct business expenses that apply to a part of your home **only** if that part is exclusively used on a regular basis:

a. as your principal place of business for any of your trades or businesses, or

b. as a place of business used by your patients, clients, or customers to meet or deal with you in the normal course of your trade or business, or

c. in connection with your trade or business if it is a separate structure that is not attached to your home.

You may also deduct expenses that apply to space within your home if it is the **only** fixed location of your trade or business. The space must be used on a regular basis to store inventory held for use in your trade or business of selling products at retail or wholesale.

If you use space in your home on a regular basis in your trade or business of providing day care service, you may be able to deduct the business expenses even though you also use the same space for nonbusiness purposes.

Please get **Publication 587,** Business Use of Your Home, for more information.

Part I

Income (Lines 1 through 5)

Line 1a

Gross Receipts or Sales

Enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on **Form(s) 1099-MISC.**

Installment Sales. If you use the installment method of reporting sales income, please attach a schedule showing separately for 1985 and the three preceding years: gross sales; cost of goods sold; gross profit; percentage of gross profits to gross sales; amounts collected; and gross profits on amounts collected.

Line 1b

Returns and Allowances

You should enter on line 1b such items as returned sales, rebates, and allowances from the sales price.

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Line 4a

Income From Overpaid Windfall Profit Tax

In certain situations, you must report as income on line 4a the amount of any credit or refund of overpaid windfall profit tax you received in 1985 for tax year 1984, based on overwithholding or the net income limitation.

In general, the amount of credit or refund you received is income to the extent you deducted windfall profit tax withheld in 1984 on Schedule C, and received a tax benefit for the deduction on your 1984 tax return. For more information, see the instructions for **Form 6249,** Computation of Overpaid Windfall Profit Tax.

Line 4b

Other Income

Include finance reserve income, scrap sales, amounts recovered from bad debts, interest, such as on notes and accounts receivable, and other kinds of miscellaneous income from the business or profession.

If you have listed property that you placed in service in a prior year and the business use percentage decreased to 50% or less in 1985, report on this line any recapture of excess depreciation, including the section 179 expense deduction. Use **Form 4797** to figure the amounts to be recaptured.

Part II

Deductions (Lines 6 through 32)

Line 7

Bad Debts From Sales or Services

Caution: *Cash method taxpayers are not entitled to a bad debt deduction unless the amount was previously included in income.*

Include debts and partial debts arising from sales or services that were included in income and are definitely known to be worthless. Instead of this, you may deduct a reasonable amount that was added during the tax year to a bad debt reserve.

If you later collect a debt that you deducted as a bad debt, include it as income in the year you collect it unless you use the bad debt reserve method. For more information, please get **Publication 548,** Deduction for Bad Debts.

Line 9

Car and Truck Expenses

You can deduct the actual cost of running your car or truck, or take the fixed mileage rate. You must use actual costs if you use more than one vehicle in your business. If you deduct actual cost, show depreciation on line 12.

Note: *If you claim any car expenses, you must complete Part III of Form 4562, Depreciation and Amortization.*

The fixed rate is figured at 21 cents a mile up to 15,000 miles, and 11 cents for each mile after that. Add to this amount your parking fees and tolls.

For cars and trucks that have been fully depreciated, the rate is 11 cents a mile.

If you use the fixed rate, the vehicle is considered to have a useful life of 60,000 miles of business use at the maximum fixed mileage rate.

If you place a car or truck in service after December 31, 1980, and take the fixed mileage rate, you are treated as having elected to exclude this vehicle from ACRS.

For more details, get **Publication 463,** Travel, Entertainment, and Gift Expenses.

Note: *If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway use tax on these vehicles. Get* ***Form 2290,*** *Heavy Vehicle Use Tax Return, to see whether you are subject to the tax.*

Line 11

Depletion

Enter your total deduction for depletion on this line. If you claim a deduction for timber depletion, please attach **Form T.** Get **Publication 535** for details.

Line 12

Depreciation, Including Section 179 Expense Deduction

You can deduct an amount each year for assets you buy to use in your business or hold to produce investment income. The deduction for depreciation does not apply to stock in trade, inventories, land, and personal assets.

Generally, you **MUST** use the Accelerated Cost Recovery System (ACRS) for all assets you place in service after December 31, 1980.

You may also choose under section 179 to expense part of the cost of certain depreciable property you bought in 1985 for use in your business. You may deduct a portion of the cost of recovery property that would otherwise qualify for investment credit. However, you may not depreciate or amortize the same costs. In general, for cars or other "listed property" placed in service in 1985, you may not take this deduction if the property is used 50% or less in your trade or business.

Figure your depreciation deduction, including the section 179 expense deduction, on Form 4562. Enter on line 12 of Schedule C the amount from Form 4562, Part I, that you have not included in Part III of Schedule C.

See **Depreciation** and **New Reporting Information Required for Listed Property** in "Changes You Should Note" on page 28.

Investment Credit. You may be able to take a credit for part of the cost of qualifying property used in your trade or business. To see if you qualify, get **Form 3468,** Computation of Investment Credit.

If you dispose of investment credit property before the end of its class life or life years, the business use percentage decreases, or the use of the property otherwise changes so that it no longer qualifies, you may have to refigure the credit. Get **Form 4255,** Recapture of Investment Credit, for details.

Line 14

Employee Benefit Programs

Enter the amount of your contributions that are not an incidental part of a pension or profit-sharing plan included on line 22. Also include here contributions to insurance, health, and welfare programs.

Lines 19 and 21

Interest on Business Indebtedness

If you paid interest that applies to future years, deduct for 1985, only the part that applies to 1985.

If you have a mortgage on real property used in your business, enter on line 19 the interest you paid to financial institutions. If you paid $600 or more of interest on this mortgage, you should receive a **Form 1098,** Mortgage Interest Statement, or similar statement, showing the total interest received from you during 1985. You should receive this statement by January 31, 1986. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage and the other person received the Form 1098, attach a statement to your return showing the name and address of the person who received the Form 1098. In the left margin, next to line 19, write "see attached."

Don't take a deduction on Schedule C for interest you paid or accrued on debts from buying or carrying investment property. Deduct this interest on **Schedule A.** For more information, see **Publication 550,** Investment Income and Expenses.

Line 22

Pension and Profit-Sharing Plans

You should enter the amount you claim as a deduction for contributions to a pension, profit-sharing, or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, you should enter contributions made as an employer on your behalf (but not voluntary contributions you made as an employee) on Form 1040, line 27, instead of on Schedule C, line 22.

Generally, you are required to file one of the following forms if you maintain a pension, profit-sharing, or other funded-deferred compensation plan whether or not it qualified under the Internal Revenue Code and whether or not you claim a deduction for the current tax year.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500-C or 5500-R.— Complete the applicable form for each plan with less than 100 participants.

The Employee Retirement Income Security Act of 1974 imposes a penalty for failure to timely file these forms.

For more information, get **Publication 560,** Self-Employed Retirement Plans.

Line 24

Repairs

You can deduct the cost of repairs including labor, supplies, and other items that do not add to the value or increase the life of the property. Do not deduct the value of your own labor. And do not deduct amounts you spent to restore or replace property. They are chargeable to capital accounts or to the depreciation reserve, depending on how depreciation is charged on your books. However, see the instructions for line 12 of Schedule C.

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Line 27

Travel and Entertainment

You can deduct all ordinary and necessary travel and entertainment expenses paid or incurred in your trade or business.

However, you cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for any activity that is usually considered entertainment, amusement, or recreation.

Note: *You may be able to deduct the expense if the amount is treated as compensation and reported on* ***Form W-2*** *for an employee or* ***Form 1099-MISC*** *for an independent contractor. (See* ***Publication 463*** *for more details.)*

Foreign Conventions. Generally, you cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area or Jamaica as within it. (For the definition of "North American area," see Publication 463.) You may also be able to deduct expenses for attending conventions held in certain Caribbean countries but only if the country met certain requirements. See Publication 463 for more details.

These rules apply to employers as well as to employees.

You may be able to deduct up to $2,000 of the cost of business expenses for attending conventions or similar meetings on a U.S. cruise ship. On a joint return, you may be able to deduct up to $4,000 if each spouse attended the meeting and each spouse had at least $2,000 of qualifying expenses. You must attach two separate statements to your tax return to support the deduction. See Publication 463 for details on what these statements must include and for specific rules on deducting expenses for attending meetings on U.S. cruise ships.

Line 29

Wages

Enter on line 29a the total salaries and wages (other than salaries and wages deducted elsewhere on your return) paid or incurred for the tax year. Do not include any amount paid to yourself.

Caution: *If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses that you claimed elsewhere.*

Enter on line 29b the jobs credit from **Form 5884.** Subtract line 29b from wages shown on line 29a and enter the balance on line 29c. For more details, please get **Publication 906,** Jobs and Research Credits.

Line 30

Windfall Profit Tax Withheld

If you hold an operating oil, gas, or mineral interest, and you are a cash method taxpayer, deduct on line 30 the amount of windfall profit tax actually withheld in 1985. **Form 6248,** Annual Information Return of Windfall Profit Tax—1985, shows the amount of windfall profit tax actually withheld in 1985.

Line 31

Other Business Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal living and family expenses.

Any loss from this activity that was not allowed as a deduction last year because of the at-risk provisions is treated as a deduction allocable to this activity in 1985.

Amortization. Use **Form 4562** to figure your amortization deduction. Include on line 31 of Schedule C the amount from Form 4562, Part II.

You may amortize over a 60-month period:

- The cost of pollution-control facilities.
- Certain expenditures made before January 1, 1982, for child care facilities.
- Up to $20,000 of the costs to rehabilitate qualified low-income housing.

You may amortize over a period of at least 60 months:

- Amounts paid for research, experiments, and a trademark or trade name.
- Certain business startup costs.

You may also amortize up to $10,000 of qualified forestation and reforestation costs over an 84-month period.

If you own a certified historic structure and pay or incur certain capital expenditures to rehabilitate it, special rules apply. See **Publication 535,** Business Expenses, for more information.

If you paid or incurred expenses to remove architectural or transportation barriers to the handicapped and the elderly, you may deduct up to $35,000 of the costs.

If you lease business property, you may be able to either depreciate or amortize your leasehold improvement costs. See Publication 535 for details.

Real property construction period interest and taxes generally cannot be fully deducted in the year you paid or incurred them. You must capitalize and amortize amounts not allowed as a deduction in the current year. This rule does not apply to low-income housing.

However, you do not have to capitalize and amortize real property interest and taxes attributable to real property that you do not reasonably expect to use in your trade or business or in an activity engaged in for profit.

For more details, get Publication 535.

Line 33

Net Profit or (Loss)

If you have a loss, go on to line 34 before entering your loss on line 33. If you fail to answer the question on line 34, processing of your tax return may be delayed.

Enter the net profit or deductible loss here and combine this amount with the profit or (loss) from your other businesses, if any. Enter the total on Form 1040, line 12, and Schedule SE, Part I, line 2 (or Form 1041, line 5).

Line 34

At Risk

Deductions for losses by persons who are engaged in a trade or business or an activity for the production of income, except the holding of real property (other than mineral property), are limited to the amount they have at risk in the business.

If you have (1) a loss from any activity that you engaged in as a trade or business or for the production of income, except the holding of real property (other than mineral property), and (2) you have amounts for which you are not at risk in the activity, use **Form 6198,** Computation of Deductible Loss From an Activity Described in Section 465(c), to determine the allowable loss to report on Schedule C.

Answer the question on line 34 "**YES**" if you have amounts for which you are not at risk for this business, such as the following:

1. nonrecourse loans used to finance your business, to acquire property used in your business, or to acquire your interest in the business unless they are secured by property not used in your business; or
2. amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
3. loans from someone who has an interest in your business, other than as a creditor, or who is related, under section 168(e)(4), to a person (other than yourself) having such an interest; or
4. amounts contributed to your business, or to your interest in the business that is covered by:

- nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
- loans from a person described in 3 above.

If you do not have any of these kinds of amounts for which you are not at risk in this business, answer the question "**NO**" and enter your loss on line 33.

If you answered "**YES**" to the question on line 34, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 33. If your at-risk amount is zero or less, enter zero on line 33.

If, in addition to the amount that you report on Schedule C, you dispose of an asset used in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the instructions for Form 6198.

Any loss from this business not allowed for 1985 is treated as a deduction allocable to the business in 1986.

For more details, get **Publication 536,** Net Operating Losses and the At-Risk Limits. Also see the instructions for Form 6198.

Part III

Cost of Goods Sold and/or Operations

Cost of Goods Sold. If you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, merchandise inventories must be taken into account at the beginning and end of your tax year.

Cost of Operations (Inventories Not an Income-Producing Factor). If the amount on line 2, Part I, includes the cost of operations, complete lines 1 through 8 of Part III as appropriate.

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Instructions for Schedule SE Social Security Self-Employment Tax

A Change You Should Note

The self-employment tax rate for 1985 is 11.8% (14.1% reduced by a 2.3% credit) and the contribution base is $39,600.

Purpose of Schedule

Schedule SE is used by self-employed persons and employees of electing churches and qualified church-controlled organizations to figure any self-employment tax due. The Social Security Administration uses the information provided on Schedule SE to figure benefits for self-employed people under the social security program. Social security self-employment tax applies regardless of your age, and even if you are receiving social security benefits.

Who Must Use Schedule SE

You must use Schedule SE if:

- you were self-employed and your net earnings from self-employment were $400 or more ($100 or more if you were an employee of an electing church or church-controlled organization); and
- you did not have wages (including tips), other than "qualified" U.S. Government wages of $39,600 or more that were subject to social security tax or railroad retirement tax.

Who Can Use Schedule SE

You can use Schedule SE if you will benefit from using the optional method of figuring self-employment earnings.

The optional method may benefit you if:

- your self-employment earnings are less than $400 and Form 1040, line 33, is less than $11,000 and you wish to claim the earned income credit; or
- you had a loss from self-employment and you need to increase your net earnings from self-employment to qualify to claim the child and dependent care credit.

The optional method may give you credit toward your social security coverage even though you have a loss or low income from self-employment. However, the optional method may require you to pay self-employment tax when none would otherwise be required.

Fiscal Year Filers

If your tax year is a fiscal year, you must use the tax rate and earnings base that apply at the time the fiscal year begins. You need not prorate the tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change.

More Than One Business

If you farmed and had at least one other trade or business or had two or more trades or businesses, your net earnings from self-employment are the combined net earnings from all your businesses. If you had a loss in one trade or business, it reduces the income from another. Figure the combined self-employment tax on Schedule SE.

Joint Returns

Show the name of the spouse with self-employment income on Schedule SE. If both spouses have self-employment income, each must file a separate Schedule SE. Include the total profits or losses from all businesses on Form 1040, as appropriate. Then enter the combined self-employment tax on Form 1040, line 51.

Community Income

In figuring net earnings from self-employment, if any of the income from a business, including farming, is community income, all the income from that business is considered the income of the spouse who carried on the trade or business unless there is a husband and wife partnership. The identity of the spouse who carried on the trade or business is determined by the facts in each situation.

If you file separate returns, attach Schedule(s) C, Profit or (Loss) From Business or Profession, and Schedule SE (for nonfarm business) or Schedule(s) F, Farm Income and Expenses, and Schedule SE (for farm business) to the return of the spouse with the self-employment income. Community income included on these schedules must be divided, for income tax purposes, on the basis of the community property laws.

Partnerships

In figuring your combined net earnings from self-employment, you should include your entire share of earnings from a partnership, including any guaranteed payments. However, if you are a limited partner, do not include your share of income or loss from the partnership, other than guaranteed payments. Unless you and your spouse are partners, no part of your partnership earnings can be treated as your spouse's even if the income, under state law, is community income. If you and your spouse have a partnership, enter the distributive share of each as partnership income on Schedule E (Form 1040), Part II, for income tax purposes, and on separate Schedules SE, line 1 or line 2, for self-employment tax purposes.

If a partner in a continuing partnership dies, that member's distributive share of partnership ordinary income or loss for the year must be included in the partner's net earnings from self-employment. See **Publication 533,** Self-Employment Tax, if your partnership has a fiscal year.

Share-Farming

If you produced crops or livestock on land belonging to another for a share of the crops or livestock produced, or the proceeds from them, you are an independent contractor and a self-employed person rather than an employee. Report your net earnings for income tax on Schedule F and for self-employment tax on Schedule SE. For more information, get **Publication 225,** Farmer's Tax Guide.

Exemption From Self-Employment Tax for Members of the Clergy and Certain Religious Orders and Sects

If you are a duly ordained, commissioned, or licensed minister of a church, a member of a religious order (who has not taken a vow of poverty), or a Christian Science practitioner, you are subject to social security self-employment tax. But you can, under certain conditions, request IRS approval to exempt your income from services as a minister, member, or practitioner by filing **Form 4361.** If you have received IRS approval and have no other income subject to self-employment tax, write "Exempt—Form 4361" on Form 1040, line 51. If you filed Form 4361, but have $400 or more from other earnings subject to self-employment tax, you must complete Schedule SE.

Note: *If you have previously filed* ***Form 2031*** *to pay self-employment tax to get social security coverage, you cannot now apply for exemption.*

If you have conscientious objections to social security insurance because of your belief in the teachings of a recognized religious sect of which you are a member, you can request exemption from self-employment tax by filing **Form 4029.** If you filed Form 4029 and have received IRS approval, do not file Schedule SE. Instead, write "Exempt— Form 4029" on Form 1040, line 51.

Coverage for Overseas Missionaries

If you are a U.S. citizen and a minister (except a Christian Science practitioner) or member of a religious order serving outside the United States, you may figure earnings from self-employment as if you were serving in the United States (provided you have not elected exemption from coverage). For more information, please get **Publication 517,** Social Security for Members of the Clergy and Religious Workers.

Employees of Churches and Qualified Church-Controlled Organizations

Note: *If you are a minister or member of a religious order, do not use the following instructions.*

If you were employed by a church or a qualified church-controlled organization that has in effect a certificate electing exemption from employer social security taxes, and you received wages of $100 or more from any one church or church-controlled organization, you may be subject to self-employment tax. Enter these wages on line 2 of Schedule SE and complete the schedule. However, see the instructions for lines 9 and 13. If you do not have other self-employment income (or loss), skip lines 3 through 7 and enter the wages from line 2 on line 8.

Lines 9 and 13.—You may be subject to self-employment tax even if line 9 is less than $400. If line 9 is less than $100, you do **not** have to complete the rest of the schedule. If line 9 is $100 or more but less than $400 and you did **not** have a loss from a Schedule C, a Schedule F, or a partnership, enter on line 13 the smaller of line 12a or line 12c. In all other cases you will enter on line 13 the smaller of line 9 or line 12a.

U.S. Citizens Employed by Foreign Governments or International Organizations

You are subject to the self-employment tax if you are a U.S. citizen employed in the United States, Puerto Rico, Guam,

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American Samoa, Northern Mariana Islands, or the Virgin Islands, by a foreign government, and in certain cases, by a wholly-owned instrumentality of a foreign government or by an international organization organized under the International Organizations Immunities Act. Report income from this employment on Schedule SE, line 2. If you are employed by a foreign government or an international organization in a country other than those listed, you are not subject to self-employment tax.

Self-Employed U.S. Citizens or Resident Aliens Living Outside the United States

If you are a self-employed U.S. citizen or resident alien living outside the United States, you are generally subject to the self-employment tax. Your foreign earnings from self-employment may be reduced by the deduction for certain foreign housing costs. However, you may not reduce your foreign earnings by your foreign earned income exclusion.

Specific Instructions

Name of Self-Employed Person. Enter the name and social security number of the self-employed person as it appears on that person's social security card.

Part I

Regular Computation of Net Earnings From Self-Employment

Income Not Included in Net Earnings From Self-Employment

- Salaries, fees, etc., subject to social security tax that you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained under **Other Income Included in Net Earnings From Self-Employment**) or as an employee or employee representative under the railroad retirement system.
- Income you received as a retired partner under a written partnership plan that provides for lifelong periodic retirement payments if you had no other interest in the partnership and did not perform services for it during the year.
- Real estate rentals, unless received in the course of a trade or business as a real estate dealer. These include cash and crop shares received from a tenant or sharefarmer. You should report these amounts on Schedule E, Part I.
- Dividends on shares of stock and interest on bonds, notes, etc., unless received in the course of your trade or business as a dealer in stocks or securities.
- Gain or loss from:

a. the sale or exchange of a capital asset;

b. the sale, exchange, involuntary conversion, or other disposition of property, unless the property is stock in trade or other property that would be includible in inventory, or held primarily for sale to customers in the ordinary course of the business; or

c. certain transactions in timber, coal, or domestic iron ore.

- Net operating losses from other years.

Other Income Included in Net Earnings From Self-Employment

- Rental income from a farm if the rental arrangement provides for material participation by the landlord and, as landlord, you participated materially in the production or management of the production of farm products on this land. This income is farm earnings. (To determine whether you participated materially in farm management or production, do not consider the activities of any agent who acted for you.)
- Cash or a payment in kind received from the Department of Agriculture for participation in a land diversion program.
- Payments for the use of rooms or other space, such as rooms in hotels, boarding houses, tourist camps, or homes, when substantial services are also provided.
- Payments you received for space in parking lots, trailer parks, warehouses, or storage garages.
- Income you received from the retail sale of newspapers and magazines if you are 18 or over and kept the profits.
- Income you received as a crew member of a fishing vessel with a crew of normally less than 10 individuals. See **Publication 595,** Tax Guide for Commercial Fishermen, for more information.
- Fees you received for services performed as a state or local government employee provided you are compensated solely on a fee basis and the position is not covered under a Federal-State social security coverage agreement.
- Interest received in the course of any trade or business, such as interest on notes or accounts receivable.
- The rental value of a home or an allowance for a home furnished you if you are a minister or a member of a religious order.
- The value of meals and lodging provided to you for the convenience of your employer if you are a minister or member of a religious order.
- Director's fees and other payments received by a director of a corporation for services as a director.
- Recapture amounts under sections 179 and 280F that were included in gross income because the business use of the property used in your trade or business dropped to 50% or less. (Do not include amounts recaptured on the disposition of property.) See **Form 4797,** Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, for more information.
- Fiduciaries' fees received by professional fiduciaries. Also, nonprofessional fiduciaries if the fees relate to active participation in the operation of the estate's trade or business or the facts indicate the fiduciary manages an estate that requires extensive management activities over a long period of time.

Option and commodity dealers engaged in trading section 1256 contracts, see section 1402(i) to determine net earnings from self-employment.

Lines 1 and 2.—Exclude from lines 1 and 2 any income or expense not included in figuring net earnings from self-employment and attach an explanation. If you are a partner, adjust lines 1 and 2 for any expense deduction for recovery property (section 179) claimed, oil or gas depletion, or unreimbursed partnership expenses.

If you deposited earnings into a capital construction fund established under the Merchant Marine Act of 1936, see Publication 595.

If you are a duly ordained minister who is an employee of a church and you are subject to self-employment tax, the unreimbursed business expenses that you incurred in performing your services as an employee of the church (allowed only as an itemized deduction) are deducted from your self-employment earnings in figuring your self-employment tax. For more information, see Publication 517.

Part II

Optional Method for Figuring Net Earnings From Farm Self-Employment

If your gross farm income for the year was not more than $2,400, you can report two-thirds of your gross farm income instead of your actual net earnings from farming.

If your gross farm income was more than $2,400, and your net farm profits were less than $1,600, you can report $1,600 on line 4.

This method can be used to increase or decrease net farm earnings, even if the farming operation resulted in a loss. There is no limit on how many times you can elect this optional method. If you use this method, you must apply it to all farm earnings from self-employment for the year. You may change the method (from actual net to optional net or the reverse) after you file your return.

For a farm partnership, your share of gross income is figured according to the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payment plus your share of the gross income after it is reduced by all guaranteed payments of the partnership. Limited partners should include only guaranteed payments.

Optional Method for Figuring Net Earnings From Nonfarm Self-Employment

You may be able to use an optional method to figure your net earnings from nonfarm self-employment if your net nonfarm profits are less than $1,600 and less than two-thirds of your gross nonfarm income.

You may use this optional method if you are regularly self-employed or regularly a member of a partnership. You meet this requirement if you had actual net earnings from self-employment of $400 or more (including your distributive share of the income or loss from any partnership of which you are a member) from nonfarm and farm businesses in at least 2 of the 3 years immediately before the year for which you use the nonfarm option.

You may report on line 6 two-thirds of your gross nonfarm income (but not more than $1,600) as your net earnings from self-employment, but you may not report less than your actual net earnings from nonfarm self-employment.

For a nonfarm partnership, your share of gross income is figured according to the partnership agreement. With guaranteed

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payments, your share of the partnership's gross income is your guaranteed payment plus your share of the gross income after it is reduced by all guaranteed payments of the partnership. Limited partners should include only guaranteed payments.

The limit for the optional method for nonfarm self-employment is 5 years. The 5 years need not be consecutive.

Using Both Optional Methods

If you have both nonfarm and farm income, you may only use the nonfarm optional method if your actual net earnings from nonfarm self-employment are less than $1,600. In all combined cases, your net nonfarm profits must be less than two-thirds of your gross nonfarm income to use the nonfarm option. If you qualify to use both options, you may report less than actual total net earnings from farm and nonfarm income, but not less than actual net earnings from nonfarm self-employment alone.

If you use both options to figure net earnings from self-employment, your maximum combined total of net earnings from self-employment for any tax year cannot be more than $1,600.

Line 4

Enter the smaller of:

- two-thirds (⅔) of the total gross income from all Schedules F, line 12, and Schedules K-1 (Form 1065), line 13b; or
- $1,600.

Line 6

Enter the smallest of:

- $1,600; or
- two-thirds (⅔) of the total gross income from all Schedules C, line 5, plus your distributive share of gross income from all nonfarm partnerships, Schedules K-1 (Form 1065), line 13c; or
- the amount on line 5 if you also had farm income and elect the farm optional method.

Part III

Computation of Social Security Self-Employment Tax

Line 11a

If you are a U.S. Government employee whose pay is subject **ONLY** to the 1.35% hospital insurance benefits tax (Medicare), do **NOT** include this pay as social security wages on Schedule SE, line 11a. Social security wages entered on line 11a are wages subject to the old-age, survivors, and disability insurance tax in addition to the Medicare tax.

***Note:** Also see the instructions for Form 1040, line 63, to see if you should file **Form 4469,** Computation of Excess Hospital Insurance Benefits Tax Credit.*

Figure your self-employment tax using the rate below line 13. Do not reduce the rate by the Medicare tax rate.

If you are a U. S. Government employee whose pay is subject **ONLY** to the 1.35% Medicare tax and your combined wages and self-employment earnings (lines 9, 11c, and 12b of Schedule SE) are in excess of $39,600, skip line 13 of Schedule SE and complete the worksheet below. Be sure to enter your "qualified" U.S. Government wages on line 12b of Schedule SE if you use this worksheet. "Qualified" U.S. Government wages are your Government wages that are subject only to the 1.35% Medicare tax.

Worksheet (Keep for your records)

1. Enter line 9 from Schedule SE	1.	
2. Enter line 12a from Schedule SE	2.	
3. Enter your "qualified" U.S. Government wages here and on line 12b of Schedule SE	3.	
4. Subtract line 3 from line 2. (If zero or less, enter -0-.)	4.	
5. Multiply the smaller of line 1 or line 2 by .0954	5.	
6. Multiply the smaller of line 1 or line 4 by .0226	6.	
7. Add lines 5 and 6. Enter on line 14 of Schedule SE and on Form 1040, line 51	7.	

Instructions for Schedule F

Farm Income and Expenses

Changes You Should Note

Schedule F Has Been Revised for 1985. The detailed income items for cash and accrual method taxpayers have been eliminated, and the farm expenses are now listed in alphabetical order. In addition, there is a new line A where you must enter a code that identifies your principal agricultural activity. See the list of codes on page 2 of Schedule F.

Depreciation. For "passenger automobiles" placed in service after April 2, 1985, the depreciation deduction for each vehicle, including any section 179 deduction, is limited to $3,200 in the first year, and $4,800 in each succeeding year. These amounts are further reduced if your business use is less than 100%. See the instructions for **Form 4562,** Depreciation and Amortization, and **Publication 534,** Depreciation, for details.

If you have listed property (such as an automobile or light truck) that you placed in service in a prior year for which you claimed a depreciation deduction, and the business use percentage of the property decreased to 50% or less during 1985, you may have to recapture excess depreciation, including the section 179 expense deduction. See **Form 4797,** Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, and its instructions for details.

New Reporting Information Required for Listed Property. For 1985, if you claim any expenses, including depreciation or lease payment deduction, for any listed property, you must complete Part III of Form 4562. See the instructions for Form 4562 and Publication 534 for details.

Purpose of Schedule

Use Schedule F to report farm income and expenses if you file Forms 1040, 1041, or 1065. *Please get* **Publication 225,** Farmer's Tax Guide, for additional information. It has samples of filled-in forms and schedules, and lists important dates that apply to farmers. You may also want to get Publication 534.

If you were required to make estimated tax payments in 1985 and you underpaid your estimated tax, you may be charged a penalty. However, you will not be charged a penalty if you meet the following tests:

- your gross farming or fishing income for 1984 or 1985 is at least two-thirds of your gross income, and
- you file your 1985 tax return and pay the tax due by March 3, 1986.

For more details, see Publication 225.

Do not report the following income on Schedule F:

- Rent you received that was based on farm production or crop shares if you did not materially participate in the operation or management of the farm. Report this income on **Form 4835** and **Schedule E (Form 1040).** It is not subject to self-employment tax. For more details, see Publication 225.
- Rent from your pasture land that is based on a flat charge. Report this income in Part I of Schedule E. However, report on line 11 of Schedule F pasture income received from taking care of someone else's livestock.
- Sales, exchanges, or involuntary conversions (other than casualties or thefts) of certain trade or business property. Report this income on **Form 4797.**
- Sales of livestock held for draft, breeding, sport, or dairy purposes. Report this income on Form 4797.

Use **Form 4684,** Casualties and Thefts, to report a casualty or theft involving farm business property, including livestock held for draft, breeding, sport, or dairy purposes.

If you received cash of more than $10,000 in one or more related transactions in the course of your farming business, you may have to file **Form 8300.**

Get **Publication 916** to see if you have to file information returns.

Which Parts To Use

Schedule F has 3 parts. The accounting method you used to record your farm income determines which parts you must use.

Under the **cash method,** you include all of your income in the year you actually get it. Generally, you deduct your expenses when you pay them. If you use the cash method, fill in Parts I and II.

Under the **accrual method,** you include your income in the year you earned it. It does not matter when you get it. You deduct your expenses when you incur them. If you use the accrual method, fill in Parts II and III.

Other rules also apply that determine the timing of deductions based on economic performance. See **Publication 538,** Accounting Periods and Methods, for details.

Agricultural Activity Code and Principal Product

Select one of the twelve major agricultural activity codes listed on page 2 of Schedule F

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and write it on line A. The code you select should represent the major farm activity from which you derive the largest amount of your income. **Field crop** pertains to the production of grains such as wheat, rice, feed corn, soybeans, barley, rye, and lentils; and nongrains such as cotton, tobacco, sugar, and Irish potatoes. **Horticultural specialty** includes the cultivation of ornamental floriculture and nursery products such as plants, shrubbery, bulbs, flowers, seed, and sod; and food crops grown under cover such as tomatoes, mushrooms, rhubarb, and fruit. **Animal specialty** includes the raising of pets, laboratory animals, such as dogs, cats, bees, snakes, and fish in captivity, except fish hatcheries.

On line B, write your principal crop or service for the current year that is included in the general farm activity code entered on line A.

Employer Identification (ID) Number

You need an employer ID number only if:

- you had a Keogh plan, or
- you were required to file an employment tax, excise tax, or alcohol, tobacco, or firearms tax return.

Payments in Kind

If you received (or constructively received) agricultural commodities under the Department of Agriculture's 1983 payment-in-kind (PIK) program, you do not have to report these commodities as income until the year they are sold or otherwise disposed of. In general, this rule applies only to commodities received for the 1983 crop year. However, this rule also applies to wheat received for the 1984 crop year. Your unadjusted basis in these commodities when you receive them is zero. See Publication 225 for more details. If you disposed of commodities received under the PIK program, check the appropriate boxes on Schedule F.

Part I

Farm Income

Cash Method

In Part I show the income you received for the items listed on lines 1 through 11. Count both the cash you actually or constructively received and the fair market value of goods or other property you received for these items.

Income is constructively received when it is credited to your account or set aside for you to use.

If you ran the farm yourself and received rents based on farm production or crop shares, report these rents as income on line 4.

Sales of Livestock Because of Drought. If you sold livestock because of a drought, you can choose to count the income from the sale in the year after the drought, instead of the year of the sale. You can do this **IF:**

- your main business is farming, **AND**
- you can show that you sold the livestock only because of the drought, **AND**
- your area qualified for Federal aid.

Lines 1 and 2

On line 1, show the amount you received from sales of livestock and other items you bought for resale. On line 2, show the cost or other basis of the livestock and other items.

Line 4

Show the amount you got from the sale of livestock, produce, grains, and other products you raised.

Lines 5a and 5b

If you received distributions from a cooperative in 1985, you should receive **Form 1099-PATR,** Statement for Recipients (Patrons) of Taxable Distributions Received From Cooperatives. On line 5a show your total distributions from cooperatives. This includes patronage dividends, nonpatronage dividends, per-unit retain allocations, and redemption of nonqualified notices and per-unit retain allocations.

Show patronage dividends you received in cash, and the dollar amount of qualified written notices of allocation. If you received property as patronage dividends, report the fair market value of the property as income. Include cash advances you received from a marketing cooperative. If you get per-unit retains in cash, show the amount of cash. If you get qualified per-unit retain certificates, show the stated dollar amount of the certificate.

You do not have to include as income patronage dividends from buying:

- Personal or family items.
- Capital assets.
- Depreciable assets you use in your business.

Enter these amounts on line 5b. If you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

Lines 7a and 7b

Enter on line 7a cash you got as price support payments, diversion payments, and cost-share payments (sight drafts).

On line 7b, show the amounts the Department of Agriculture paid for materials, such as fertilizer or lime, or services, such as grading or constructing dams.

Line 8

Report Commodity Credit Corporation loans you received as income if:

- the commodities are forfeited to the Corporation instead of sold in the market, **OR**
- you choose to report the loan as income when you receive it. If you do this, attach a statement showing the details of the loan. You must continue to report these loans as income unless the IRS permits you to change your accounting method.

Line 9

In general, you must report crop insurance proceeds in the year you receive them.

However, you may choose to include crop insurance proceeds and certain disaster payments in income in the tax year after the year of damage if you can show that it is your practice to report income from these crops in the later tax year.

Line 10

Show the amount you were paid for the use of your farm machinery.

Line 11

Use this line to report income other than that shown on lines 1 through 10. For example, include the following income items on line 11.

- Barter income.
- State gasoline tax refund you got in 1985.
- The amount of credit for Federal tax on gasoline or other fuel claimed on your 1984 Form 1040.
- The amount of credit for alcohol used as a fuel that was entered on **Form 6478.**

Report the sale of commodity futures contracts on this line if they were made to protect you from price changes. These are a form of business insurance and are considered hedges. Enter any profit on line 11. If you had a loss in a closed futures contract, show it as a minus amount.

Caution: *For property acquired and hedging positions established, you must clearly identify on your books and records that the transaction was a hedging transaction.*

Purchase or sales contracts are not true hedges if they offset losses that already happened. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, do not report the profit or loss on this line. Report the gain or loss on **Form 6781,** Gains and Losses From Section 1256 Contracts and Straddles.

For more details, see Publication 225.

Part II

Farm Deductions

Cash and Accrual Method

Do not deduct:

- Personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.
- Expenses of raising anything you or your family used.
- The value of animals you raised that died.
- Loss of inventory.
- Personal losses.
- The cost of planting and growing citrus or almond groves before the close of the fourth tax year beginning with the tax year you plant them in their permanent grove. You must treat these items as part of the cost of the grove.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

Farming Syndicates

A farming syndicate may be:

- a partnership, or
- any other noncorporate group, or
- an S corporation, **if**

a. the interests in the business have ever been for sale in a way that would require registration with any Federal or state agency, **or**

b. more than 35% of the loss during any tax year is spread between limited partners or limited entrepreneurs.

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(A limited partner is one who can lose only the amount invested in the partnership; a limited entrepreneur is a person who does not take any active part in managing the business.)

If you are a farming syndicate, your deductions are limited as follows:

- Generally, you can deduct feed, seed, fertilizers, and other farm supplies only in the year you actually use them (or only in the year you can deduct them under your accounting method). However, if you bought supplies you could not use because of fire, storm, flood, disease, or other casualty, then you may deduct them in the year you bought them.
- You must spread the cost of poultry you bought to use in business (or to resell) over 12 months, or the useful life, whichever is less.
- You cannot deduct the cost of planting, cultivating, maintaining or developing groves, orchards, or vineyards, which produce fruit or nuts, before the tax year in which they produce commercial quantities. You must treat these costs as part of the cost of the grove.

Line 15

You can deduct what you spent to conserve soil or water, or to prevent erosion of your land. You can also deduct what you paid to a soil or water district for conservation expenses. Do not deduct more than 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, you can carry the excess over to following years.

Line 16

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on:

- your home, furniture, or other personal items,
- land,
- livestock you bought or raised for resale, or
- other property in your inventory.

Generally, you **MUST** use the Accelerated Cost Recovery System (ACRS) for all assets you place in service after December 31, 1980.

You may also choose under section 179 to expense part of the cost of certain depreciable property you bought in 1985 for use in your business. You may deduct a portion of the cost of recovery property that would otherwise qualify for investment credit. However, you may not depreciate or amortize the same costs. In general, for cars or other "listed property" placed in service in 1985, you may not take this deduction if the property is used 50% or less in your trade or business.

Figure your depreciation deduction, including the section 179 expense deduction, on **Form 4562,** Depreciation and Amortization. Enter on line 16 of Schedule F the amount from Form 4562, Part I. See **Depreciation** and **New Reporting Information Required for Listed Property** in "Changes You Should Note" on page 33.

Investment Credit. You may be able to take a credit for part of the cost of qualifying property used in your trade or business. To see if you qualify, get **Form 3468,** Computation of Investment Credit.

If you dispose of investment credit property before the end of its class life or life years, the business use percentage decreases, or the use of the property otherwise changes so that it no longer qualifies, you may have to refigure the credit. Get **Form 4255,** Recapture of Investment Credit, for details.

Line 17

Enter any amounts you paid to programs for your employees that are not a part of the plans on line 28. Examples are insurance, health, and welfare programs. Do not include here amounts paid for yourself or your family.

Line 18

If you use the cash method, show what you paid for feed to be consumed by your livestock in the year of payment. However, if the feed is to be consumed in a later tax year, the expenses might not be deductible in the year paid. See Publication 225 for more information on advance payments for feed.

Line 20

Do not include as freight paid the cost of transportation incurred in purchasing livestock held for resale. Instead, add these costs to the cost of the livestock, and deduct them when the livestock are sold.

Line 22

Enter only the amount of premiums for fire, storm, crop, and theft insurance for this year for your farm business assets. Do not include insurance on personal assets, or medical, health, or disability insurance on yourself or your family.

Line 23

Enter the amount you paid for farm labor. You can count the cost of boarding farm labor but not the value of any products they used from the farm. You can count only what you paid household help to care for farm laborers. Do not count the value of your own or your family's labor.

Caution: *If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as farm labor the amount applicable to depreciation and other expenses claimed elsewhere.*

Enter on line 23b the jobs credit from **Form 5884.** Subtract line 23b from line 23a and enter the balance on line 23c. For more details, please get **Publication 906,** Jobs and Research Credits.

Line 24

Enter what you paid to clear land so you could farm it. Do not enter more than $5,000 or 25% of your taxable income from farming, whichever is less. (See Publication 225 for the definition of taxable income from farming for purposes of the limitation.)

If you choose to deduct land clearing expenses for 1985, you must attach a statement to your tax return. See Publication 225 for details on what you must include in this statement.

Line 25

Enter what you paid to rent machinery used on your farm.

Line 26

If you have a mortgage on your farm (real property), enter on line 26 the interest you paid to financial institutions. If you paid $600 or more of interest on this mortgage, you should receive **Form 1098,** Mortgage Interest Statement, or similar statement, showing the total interest received from you during 1985. You should receive this statement by January 31, 1986. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage and the other person received the Form 1098, attach a statement to your return showing the name and address of the person who received the Form 1098. In the right margin, next to line 26, write "see attached."

Line 27

Enter the interest on other loans related to this farm. If you prepaid interest in 1985 for years after 1985, include only the part that applies to 1985.

Line 28

Enter the amount you paid to pension, profit-sharing, or annuity plans for your employees. If the plan included you as an owner-employee, see the instructions for Schedule C, line 22, on page 29. Enter the amount you paid for yourself on Form 1040, line 27.

Line 29

Enter what you paid to rent pasture or farm land.

Line 30

Enter what you paid for repairs and upkeep of farm buildings (but not your home), machinery, and equipment. You can also include what you paid for tools of short life or small cost, such as shovels and rakes.

Line 34

You can deduct the following taxes:

- Real estate and personal property taxes on farm business assets.
- Social security taxes you paid to match what you are required to withhold from farm employees' wages.

Do not deduct:

- Federal income taxes.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal property.
- Other taxes not related to the farm business.

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Line 35

Enter what you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities.

Line 37

Enter expenses not listed on another line, such as:

- Office supplies.
- Advertising.
- Car and truck expenses. You can deduct what it cost you to run your car or truck, or take the fixed mileage rate.

Note: *If you claim any car or truck expenses, you must complete Part III of* ***Form 4562,*** *Depreciation and Amortization.*

The fixed rate is 21 cents a mile up to 15,000 miles, and 11 cents a mile for each mile after that. If you use more than one vehicle for business, you must use the actual cost. If you use the vehicle for both personal and farm purposes, show only the miles (or costs), which apply to farming.

For vehicles that have been fully depreciated, the rate is 11 cents a mile.

If you use the fixed rate, the vehicle is considered to have a useful life of 60,000 miles of business use at the maximum fixed mileage rate.

If you place a car or truck in service after December 31, 1980, and take the fixed mileage rate, you are treated as having elected to exclude this vehicle from ACRS.

For more details, get **Publication 463,** Travel, Entertainment, and Gift Expenses.

Note: *If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway use tax on these vehicles. Get* ***Form 2290,*** *Heavy Vehicle Use Tax Return, to see whether you are subject to the tax.*

- Any loss from this activity that was not allowed as a deduction last year because of the at-risk provisions. This is treated as a deduction allocable to this activity in 1985.
- Amortization of qualifying forestation and reforestation costs over an 84-month period.
- Amortization of certain business startup costs over a period of at least 60 months.

Use Form 4562 to figure your amortization deduction. Include on line 37 of Schedule F the amount of the deduction from Form 4562, Part II.

For more information on amortization, see **Publication 535,** Business Expenses.

Line 39

If you have a loss, go on to line 40 before entering your loss on line 39. If you fail to answer the question on line 40, processing of your tax return may be delayed.

Enter the net profit or deductible loss here and on Form 1040, line 19, and Schedule SE, Part I, line 1 (or Form 1041, line 5). Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 8.

Line 40

If you have (1) a loss from any farming activity that you engaged in as a trade or business or for the production of income, except the holding of real property (other than mineral property), and (2) you have amounts for which you are not at risk in the activity, use **Form 6198,** Computation of Deductible Loss From an Activity Described in Section 465(c), to determine the allowable loss to report on Schedule F.

Answer the question on line 40 "**YES**" if you have any amounts for which you are not at risk for this farm such as the following:

1. nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity unless they are secured by property not used in the activity; or
2. amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
3. loans from someone who has an interest in the activity, other than as a creditor, or who is related, under section 168(e)(4), to a person (other than yourself) having such an interest; or
4. amounts contributed to the activity, or to your interest in the activity that is covered by:

- nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement, or
- loans from a person decribed in 3 above.

If you do not have any of these kinds of amounts for which you are not at risk in this business, then answer the question "**NO**" and enter your loss on line 39.

If you answered "**YES**" to the question on line 40, get Form 6198 to determine the amount of deductible loss and enter that amount on line 39. If your at-risk amount is zero or less, enter zero on line 39.

If, in addition to the amount that you report on Schedule F, you sell or otherwise dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the instructions for Form 6198.

Any loss from this activity not allowed for 1985 is treated as a deduction allocable to the activity in 1986.

For more details, get **Publication 536,** Net Operating Losses and the At-Risk Limits. Also see Form 6198 and its instructions for more information.

Part III

Farm Income

Accrual Method

If you use the accrual method, report farm income when you earn it, not when you receive it. Generally, you must inventory your animals and crops if you use this method. See **Publication 538,** Accounting Periods and Methods, for exceptions, inventory methods, and how to change methods of accounting.

Line 41

Enter the amount you got from the sales of livestock, produce, grains, and other products you raised.

Lines 42 through 45

See instructions for Part I, lines 7, 8, 10, and 11.

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1985 Tax Table

Your zero bracket amount has been built into the Tax Table.

Based on Taxable Income

For persons with taxable incomes of less than $50,000.

Example: Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 37 of Form 1040 is $25,325. First, they find the $25,300-25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is $3,545. This is the tax amount they must write on line 38 of their return.

At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
25,200	25,250	4,513	3,523	5,614	4,177
25,250	25,300	4,528	3,534	5,633	4,191
25,300	25,350	4,543	3,545	5,652	4,205
25,350	25,400	4,558	3,556	5,671	4,219

If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
$0	$1,775	$0	$0	$0	$0
1,775	1,800	0	0	2	0
1,800	1,825	0	0	5	0
1,825	1,850	0	0	7	0
1,850	1,875	0	0	10	0
1,875	1,900	0	0	13	0
1,900	1,925	0	0	16	0
1,925	1,950	0	0	18	0
1,950	1,975	0	0	21	0
1,975	2,000	0	0	24	0
2,000					
2,000	2,025	0	0	27	0
2,025	2,050	0	0	29	0
2,050	2,075	0	0	32	0
2,075	2,100	0	0	35	0
2,100	2,125	0	0	38	0
2,125	2,150	0	0	40	0
2,150	2,175	0	0	43	0
2,175	2,200	0	0	46	0
2,200	2,225	0	0	49	0
2,225	2,250	0	0	51	0
2,250	2,275	0	0	54	0
2,275	2,300	0	0	57	0
2,300	2,325	0	0	60	0
2,325	2,350	0	0	62	0
2,350	2,375	0	0	65	0
2,375	2,400	0	0	68	0
2,400	2,425	2	0	71	2
2,425	2,450	5	0	73	5
2,450	2,475	8	0	76	8
2,475	2,500	11	0	79	11
2,500	2,525	13	0	82	13
2,525	2,550	16	0	84	16
2,550	2,575	19	0	87	19
2,575	2,600	22	0	90	22
2,600	2,625	24	0	93	24
2,625	2,650	27	0	95	27
2,650	2,675	30	0	98	30
2,675	2,700	33	0	101	33
2,700	2,725	35	0	104	35
2,725	2,750	38	0	106	38
2,750	2,775	41	0	109	41
2,775	2,800	44	0	112	44
2,800	2,825	46	0	115	46
2,825	2,850	49	0	117	49
2,850	2,875	52	0	120	52
2,875	2,900	55	0	123	55
2,900	2,925	57	0	126	57
2,925	2,950	60	0	129	60
2,950	2,975	63	0	132	63
2,975	3,000	66	0	135	66
3,000					
3,000	3,050	70	0	140	70
3,050	3,100	75	0	146	75
3,100	3,150	81	0	152	81
3,150	3,200	86	0	158	86
3,200	3,250	92	0	164	92
3,250	3,300	97	0	170	97
3,300	3,350	103	0	176	103
3,350	3,400	108	0	182	108
3,400	3,450	114	0	188	114
3,450	3,500	119	0	194	119
3,500	3,550	125	0	200	125
3,550	3,600	131	4	206	130
3,600	3,650	137	9	212	136
3,650	3,700	143	15	218	141
3,700	3,750	149	20	224	147
3,750	3,800	155	26	230	152
3,800	3,850	161	31	236	158
3,850	3,900	167	37	242	163
3,900	3,950	173	42	248	169
3,950	4,000	179	48	254	174
4,000					
4,000	4,050	185	53	261	180
4,050	4,100	191	59	268	185
4,100	4,150	197	64	275	191
4,150	4,200	203	70	282	196
4,200	4,250	209	75	289	202
4,250	4,300	215	81	296	207
4,300	4,350	221	86	303	213
4,350	4,400	227	92	310	218
4,400	4,450	233	97	317	224
4,450	4,500	239	103	324	229
4,500	4,550	245	108	331	235
4,550	4,600	251	114	338	240
4,600	4,650	258	119	345	246
4,650	4,700	265	125	352	252
4,700	4,750	272	130	359	258
4,750	4,800	279	136	366	264
4,800	4,850	286	141	373	270
4,850	4,900	293	147	380	276
4,900	4,950	300	152	387	282
4,950	5,000	307	158	394	288

* This column must also be used by a qualifying widow(er).

Continued on next page

BEST COPY AVAILABLE

1985 Tax Table—*Continued*

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
5,000						**8,000**						**11,000**					
5,000	5,050	314	163	401	294	8,000	8,050	746	519	858	680	11,000	11,050	1,218	939	1,412	1,159
5,050	5,100	321	169	408	300	8,050	8,100	754	526	866	687	11,050	11,100	1,226	946	1,423	1,167
5,100	5,150	328	174	415	306	8,100	8,150	761	533	874	694	11,100	11,150	1,234	953	1,434	1,176
5,150	5,200	335	180	422	312	8,150	8,200	769	540	882	701	11,150	11,200	1,242	960	1,445	1,184
5,200	5,250	342	185	429	318	8,200	8,250	776	547	890	708	11,200	11,250	1,250	967	1,456	1,193
5,250	5,300	349	191	436	324	8,250	8,300	784	554	898	715	11,250	11,300	1,259	974	1,467	1,201
5,300	5,350	356	196	443	330	8,300	8,350	791	561	906	722	11,300	11,350	1,268	981	1,478	1,210
5,350	5,400	363	202	450	336	8,350	8,400	799	568	915	729	11,350	11,400	1,277	988	1,489	1,218
5,400	5,450	370	207	457	342	8,400	8,450	806	575	924	736	11,400	11,450	1,286	995	1,500	1,227
5,450	5,500	377	213	464	348	8,450	8,500	814	582	933	743	11,450	11,500	1,295	1,002	1,511	1,235
5,500	5,550	384	218	471	354	8,500	8,550	821	589	942	750	11,500	11,550	1,304	1,009	1,522	1,244
5,550	5,600	391	224	478	360	8,550	8,600	829	596	951	757	11,550	11,600	1,313	1,016	1,533	1,252
5,600	5,650	398	229	485	366	8,600	8,650	836	603	960	764	11,600	11,650	1,322	1,023	1,544	1,261
5,650	5,700	405	235	492	372	8,650	8,700	844	610	969	771	11,650	11,700	1,331	1,030	1,555	1,269
5,700	5,750	412	240	499	378	8,700	8,750	851	617	978	778	11,700	11,750	1,340	1,037	1,566	1,278
5,750	5,800	419	246	506	384	8,750	8,800	859	624	987	785	11,750	11,800	1,349	1,044	1,577	1,286
5,800	5,850	426	252	513	390	8,800	8,850	866	631	996	792	11,800	11,850	1,358	1,051	1,588	1,295
5,850	5,900	433	258	520	396	8,850	8,900	874	638	1,005	799	11,850	11,900	1,367	1,058	1,599	1,303
5,900	5,950	440	264	527	402	8,900	8,950	882	645	1,014	806	11,900	11,950	1,376	1,065	1,610	1,312
5,950	6,000	447	270	534	408	8,950	9,000	890	652	1,023	813	11,950	12,000	1,385	1,072	1,621	1,320
6,000						**9,000**						**12,000**					
6,000	6,050	454	276	541	414	9,000	9,050	898	659	1,032	820	12,000	12,050	1,394	1,079	1,632	1,329
6,050	6,100	461	282	548	420	9,050	9,100	906	666	1,041	827	12,050	12,100	1,403	1,086	1,643	1,337
6,100	6,150	468	288	555	426	9,100	9,150	914	673	1,050	836	12,100	12,150	1,412	1,093	1,654	1,346
6,150	6,200	475	294	562	432	9,150	9,200	922	680	1,059	844	12,150	12,200	1,421	1,100	1,665	1,354
6,200	6,250	482	300	570	438	9,200	9,250	930	687	1,068	853	12,200	12,250	1,430	1,107	1,676	1,363
6,250	6,300	489	306	578	444	9,250	9,300	938	694	1,077	861	12,250	12,300	1,439	1,114	1,687	1,371
6,300	6,350	496	312	586	450	9,300	9,350	946	701	1,086	870	12,300	12,350	1,448	1,121	1,698	1,380
6,350	6,400	503	318	594	456	9,350	9,400	954	708	1,095	878	12,350	12,400	1,457	1,128	1,709	1,389
6,400	6,450	510	324	602	462	9,400	9,450	962	715	1,104	887	12,400	12,450	1,466	1,135	1,720	1,398
6,450	6,500	517	330	610	468	9,450	9,500	970	722	1,113	895	12,450	12,500	1,475	1,143	1,731	1,407
6,500	6,550	524	336	618	474	9,500	9,550	978	729	1,122	904	12,500	12,550	1,484	1,151	1,742	1,416
6,550	6,600	531	342	626	480	9,550	9,600	986	736	1,131	912	12,550	12,600	1,493	1,159	1,753	1,425
6,600	6,650	538	348	634	486	9,600	9,650	994	743	1,140	921	12,600	12,650	1,502	1,167	1,764	1,434
6,650	6,700	545	354	642	492	9,650	9,700	1,002	750	1,149	929	12,650	12,700	1,511	1,175	1,775	1,443
6,700	6,750	552	360	650	498	9,700	9,750	1,010	757	1,158	938	12,700	12,750	1,520	1,183	1,786	1,452
6,750	6,800	559	366	658	505	9,750	9,800	1,018	764	1,167	946	12,750	12,800	1,529	1,191	1,797	1,461
6,800	6,850	566	372	666	512	9,800	9,850	1,026	771	1,176	955	12,800	12,850	1,538	1,199	1,809	1,470
6,850	6,900	574	378	674	519	9,850	9,900	1,034	778	1,185	963	12,850	12,900	1,547	1,207	1,822	1,479
6,900	6,950	581	384	682	526	9,900	9,950	1,042	785	1,194	972	12,900	12,950	1,556	1,215	1,834	1,488
6,950	7,000	589	390	690	533	9,950	10,000	1,050	792	1,203	980	12,950	13,000	1,565	1,223	1,847	1,497
7,000						**10,000**						**13,000**					
7,000	7,050	596	396	698	540	10,000	10,050	1,058	799	1,212	989	13,000	13,050	1,574	1,231	1,859	1,506
7,050	7,100	604	402	706	547	10,050	10,100	1,066	806	1,221	997	13,050	13,100	1,583	1,239	1,872	1,515
7,100	7,150	611	408	714	554	10,100	10,150	1,074	813	1,230	1,006	13,100	13,150	1,592	1,247	1,884	1,524
7,150	7,200	619	414	722	561	10,150	10,200	1,082	820	1,239	1,014	13,150	13,200	1,601	1,255	1,897	1,533
7,200	7,250	626	420	730	568	10,200	10,250	1,090	827	1,248	1,023	13,200	13,250	1,610	1,263	1,909	1,542
7,250	7,300	634	426	738	575	10,250	10,300	1,098	834	1,257	1,031	13,250	13,300	1,619	1,271	1,922	1,551
7,300	7,350	641	432	746	582	10,300	10,350	1,106	841	1,266	1,040	13,300	13,350	1,628	1,279	1,934	1,560
7,350	7,400	649	438	754	589	10,350	10,400	1,114	848	1,275	1,048	13,350	13,400	1,637	1,287	1,947	1,569
7,400	7,450	656	444	762	596	10,400	10,450	1,122	855	1,284	1,057	13,400	13,450	1,646	1,295	1,959	1,578
7,450	7,500	664	450	770	603	10,450	10,500	1,130	862	1,293	1,065	13,450	13,500	1,656	1,303	1,972	1,587
7,500	7,550	671	456	778	610	10,500	10,550	1,138	869	1,302	1,074	13,500	13,550	1,666	1,311	1,984	1,596
7,550	7,600	679	462	786	617	10,550	10,600	1,146	876	1,313	1,082	13,550	13,600	1,676	1,319	1,997	1,605
7,600	7,650	686	468	794	624	10,600	10,650	1,154	883	1,324	1,091	13,600	13,650	1,686	1,327	2,009	1,614
7,650	7,700	694	474	802	631	10,650	10,700	1,162	890	1,335	1,099	13,650	13,700	1,696	1,335	2,022	1,623
7,700	7,750	701	480	810	638	10,700	10,750	1,170	897	1,346	1,108	13,700	13,750	1,706	1,343	2,034	1,632
7,750	7,800	709	486	818	645	10,750	10,800	1,178	904	1,357	1,116	13,750	13,800	1,716	1,351	2,047	1,641
7,800	7,850	716	492	826	652	10,800	10,850	1,186	911	1,368	1,125	13,800	13,850	1,726	1,359	2,059	1,650
7,850	7,900	724	498	834	659	10,850	10,900	1,194	918	1,379	1,133	13,850	13,900	1,736	1,367	2,072	1,659
7,900	7,950	731	505	842	666	10,900	10,950	1,202	925	1,390	1,142	13,900	13,950	1,746	1,375	2,084	1,668
7,950	8,000	739	512	850	673	10,950	11,000	1,210	932	1,401	1,150	13,950	14,000	1,756	1,383	2,097	1,677

* This column must also be used by a qualifying widow(er).

Continued on next page

BEST COPY AVAILABLE

1985 Tax Table—*Continued*

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
14,000						**17,000**						**20,000**					
14,000	14,050	1,766	1,391	2,109	1,686	17,000	17,050	2,408	1,879	2,903	2,255	20,000	20,050	3,131	2,419	3,829	2,898
14,050	14,100	1,776	1,399	2,122	1,695	17,050	17,100	2,420	1,888	2,917	2,265	20,050	20,100	3,144	2,428	3,845	2,910
14,100	14,150	1,786	1,407	2,134	1,704	17,100	17,150	2,431	1,897	2,931	2,275	20,100	20,150	3,157	2,437	3,862	2,922
14,150	14,200	1,796	1,415	2,147	1,713	17,150	17,200	2,443	1,906	2,945	2,285	20,150	20,200	3,170	2,446	3,878	2,934
14,200	14,250	1,806	1,423	2,159	1,722	17,200	17,250	2,454	1,915	2,959	2,295	20,200	20,250	3,183	2,455	3,895	2,946
14,250	14,300	1,816	1,431	2,172	1,731	17,250	17,300	2,466	1,924	2,973	2,305	20,250	20,300	3,196	2,464	3,911	2,958
14,300	14,350	1,826	1,439	2,184	1,740	17,300	17,350	2,477	1,933	2,987	2,315	20,300	20,350	3,209	2,473	3,928	2,970
14,350	14,400	1,836	1,447	2,197	1,749	17,350	17,400	2,489	1,942	3,001	2,325	20,350	20,400	3,222	2,482	3,944	2,982
14,400	14,450	1,846	1,455	2,209	1,758	17,400	17,450	2,500	1,951	3,015	2,335	20,400	20,450	3,235	2,491	3,961	2,994
14,450	14,500	1,856	1,463	2,222	1,767	17,450	17,500	2,512	1,960	3,029	2,345	20,450	20,500	3,248	2,500	3,977	3,006
14,500	14,550	1,866	1,471	2,234	1,776	17,500	17,550	2,523	1,969	3,043	2,355	20,500	20,550	3,261	2,509	3,994	3,018
14,550	14,600	1,876	1,479	2,247	1,785	17,550	17,600	2,535	1,978	3,057	2,365	20,550	20,600	3,274	2,518	4,010	3,030
14,600	14,650	1,886	1,487	2,259	1,794	17,600	17,650	2,546	1,987	3,071	2,375	20,600	20,650	3,287	2,527	4,027	3,042
14,650	14,700	1,896	1,495	2,272	1,803	17,650	17,700	2,558	1,996	3,085	2,385	20,650	20,700	3,300	2,536	4,043	3,054
14,700	14,750	1,906	1,503	2,284	1,812	17,700	17,750	2,569	2,005	3,099	2,395	20,700	20,750	3,313	2,545	4,060	3,066
14,750	14,800	1,916	1,511	2,297	1,821	17,750	17,800	2,581	2,014	3,113	2,405	20,750	20,800	3,326	2,554	4,076	3,078
14,800	14,850	1,926	1,519	2,309	1,830	17,800	17,850	2,592	2,023	3,127	2,415	20,800	20,850	3,339	2,563	4,093	3,090
14,850	14,900	1,936	1,527	2,322	1,839	17,850	17,900	2,604	2,032	3,141	2,425	20,850	20,900	3,352	2,572	4,109	3,102
14,900	14,950	1,946	1,535	2,334	1,848	17,900	17,950	2,615	2,041	3,155	2,435	20,900	20,950	3,365	2,581	4,126	3,114
14,950	15,000	1,956	1,543	2,347	1,857	17,950	18,000	2,627	2,050	3,169	2,445	20,950	21,000	3,378	2,590	4,142	3,126
15,000						**18,000**						**21,000**					
15,000	15,050	1,966	1,551	2,359	1,866	18,000	18,050	2,638	2,059	3,183	2,455	21,000	21,050	3,391	2,599	4,159	3,138
15,050	15,100	1,976	1,559	2,372	1,875	18,050	18,100	2,650	2,068	3,197	2,465	21,050	21,100	3,404	2,610	4,175	3,150
15,100	15,150	1,986	1,567	2,384	1,884	18,100	18,150	2,661	2,077	3,211	2,475	21,100	21,150	3,417	2,621	4,192	3,162
15,150	15,200	1,996	1,575	2,397	1,893	18,150	18,200	2,673	2,086	3,225	2,485	21,150	21,200	3,430	2,632	4,208	3,174
15,200	15,250	2,006	1,583	2,409	1,902	18,200	18,250	2,684	2,095	3,239	2,495	21,200	21,250	3,443	2,643	4,225	3,186
15,250	15,300	2,016	1,591	2,422	1,911	18,250	18,300	2,696	2,104	3,253	2,505	21,250	21,300	3,456	2,654	4,241	3,198
15,300	15,350	2,026	1,599	2,434	1,920	18,300	18,350	2,707	2,113	3,268	2,515	21,300	21,350	3,469	2,665	4,258	3,210
15,350	15,400	2,036	1,607	2,447	1,929	18,350	18,400	2,719	2,122	3,284	2,525	21,350	21,400	3,482	2,676	4,274	3,222
15,400	15,450	2,046	1,615	2,459	1,938	18,400	18,450	2,730	2,131	3,301	2,535	21,400	21,450	3,495	2,687	4,291	3,234
15,450	15,500	2,056	1,623	2,472	1,947	18,450	18,500	2,742	2,140	3,317	2,545	21,450	21,500	3,508	2,698	4,307	3,246
15,500	15,550	2,066	1,631	2,484	1,956	18,500	18,550	2,753	2,149	3,334	2,555	21,500	21,550	3,521	2,709	4,324	3,258
15,550	15,600	2,076	1,639	2,497	1,965	18,550	18,600	2,765	2,158	3,350	2,565	21,550	21,600	3,534	2,720	4,340	3,270
15,600	15,650	2,086	1,647	2,511	1,975	18,600	18,650	2,776	2,167	3,367	2,575	21,600	21,650	3,547	2,731	4,357	3,282
15,650	15,700	2,098	1,655	2,525	1,985	18,650	18,700	2,788	2,176	3,383	2,585	21,650	21,700	3,560	2,742	4,373	3,294
15,700	15,750	2,109	1,663	2,539	1,995	18,700	18,750	2,799	2,185	3,400	2,595	21,700	21,750	3,573	2,753	4,390	3,306
15,750	15,800	2,121	1,671	2,553	2,005	18,750	18,800	2,811	2,194	3,416	2,605	21,750	21,800	3,586	2,764	4,406	3,318
15,800	15,850	2,132	1,679	2,567	2,015	18,800	18,850	2,822	2,203	3,433	2,615	21,800	21,850	3,599	2,775	4,423	3,330
15,850	15,900	2,144	1,687	2,581	2,025	18,850	18,900	2,834	2,212	3,449	2,625	21,850	21,900	3,612	2,786	4,439	3,342
15,900	15,950	2,155	1,695	2,595	2,035	18,900	18,950	2,845	2,221	3,466	2,635	21,900	21,950	3,625	2,797	4,456	3,354
15,950	16,000	2,167	1,703	2,609	2,045	18,950	19,000	2,858	2,230	3,482	2,646	21,950	22,000	3,638	2,808	4,472	3,366
16,000						**19,000**						**22,000**					
16,000	16,050	2,178	1,711	2,623	2,055	19,000	19,050	2,871	2,239	3,499	2,658	22,000	22,050	3,651	2,819	4,489	3,378
16,050	16,100	2,190	1,719	2,637	2,065	19,050	19,100	2,884	2,248	3,515	2,670	22,050	22,100	3,664	2,830	4,505	3,390
16,100	16,150	2,201	1,727	2,651	2,075	19,100	19,150	2,897	2,257	3,532	2,682	22,100	22,150	3,677	2,841	4,522	3,402
16,150	16,200	2,213	1,735	2,665	2,085	19,150	19,200	2,910	2,266	3,548	2,694	22,150	22,200	3,690	2,852	4,538	3,414
16,200	16,250	2,224	1,743	2,679	2,095	19,200	19,250	2,923	2,275	3,565	2,706	22,200	22,250	3,703	2,863	4,555	3,426
16,250	16,300	2,236	1,751	2,693	2,105	19,250	19,300	2,936	2,284	3,581	2,718	22,250	22,300	3,716	2,874	4,571	3,438
16,300	16,350	2,247	1,759	2,707	2,115	19,300	19,350	2,949	2,293	3,598	2,730	22,300	22,350	3,729	2,885	4,588	3,450
16,350	16,400	2,259	1,767	2,721	2,125	19,350	19,400	2,962	2,302	3,614	2,742	22,350	22,400	3,742	2,896	4,604	3,462
16,400	16,450	2,270	1,775	2,735	2,135	19,400	19,450	2,975	2,311	3,631	2,754	22,400	22,450	3,755	2,907	4,621	3,474
16,450	16,500	2,282	1,783	2,749	2,145	19,450	19,500	2,988	2,320	3,647	2,766	22,450	22,500	3,768	2,918	4,637	3,486
16,500	16,550	2,293	1,791	2,763	2,155	19,500	19,550	3,001	2,329	3,664	2,778	22,500	22,550	3,781	2,929	4,654	3,498
16,550	16,600	2,305	1,799	2,777	2,165	19,550	19,600	3,014	2,338	3,680	2,790	22,550	22,600	3,794	2,940	4,670	3,510
16,600	16,650	2,316	1,807	2,791	2,175	19,600	19,650	3,027	2,347	3,697	2,802	22,600	22,650	3,807	2,951	4,687	3,522
16,650	16,700	2,328	1,816	2,805	2,185	19,650	19,700	3,040	2,356	3,713	2,814	22,650	22,700	3,820	2,962	4,703	3,534
16,700	16,750	2,339	1,825	2,819	2,195	19,700	19,750	3,053	2,365	3,730	2,826	22,700	22,750	3,833	2,973	4,720	3,546
16,750	16,800	2,351	1,834	2,833	2,205	19,750	19,800	3,066	2,374	3,746	2,838	22,750	22,800	3,846	2,984	4,736	3,558
16,800	16,850	2,362	1,843	2,847	2,215	19,800	19,850	3,079	2,383	3,763	2,850	22,800	22,850	3,859	2,995	4,753	3,570
16,850	16,900	2,374	1,852	2,861	2,225	19,850	19,900	3,092	2,392	3,779	2,862	22,850	22,900	3,872	3,006	4,769	3,582
16,900	16,950	2,385	1,861	2,875	2,235	19,900	19,950	3,105	2,401	3,796	2,874	22,900	22,950	3,885	3,017	4,786	3,594
16,950	17,000	2,397	1,870	2,889	2,245	19,950	20,000	3,118	2,410	3,812	2,886	22,950	23,000	3,898	3,028	4,802	3,606

* This column must also be used by a qualifying widow(er).

Continued on next page

BEST COPY AVAILABLE

1985 Tax Table—*Continued*

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
23,000						**26,000**						**29,000**					
23,000	23,050	3,911	3,039	4,819	3,618	26,000	26,050	4,753	3,712	5,918	4,401	29,000	29,050	5,653	4,462	7,058	5,241
23,050	23,100	3,924	3,050	4,835	3,630	26,050	26,100	4,768	3,724	5,937	4,415	29,050	29,100	5,668	4,474	7,077	5,255
23,100	23,150	3,937	3,061	4,852	3,642	26,100	26,150	4,783	3,737	5,956	4,429	29,100	29,150	5,683	4,487	7,096	5,269
23,150	23,200	3,950	3,072	4,868	3,654	26,150	26,200	4,798	3,749	5,975	4,443	29,150	29,200	5,698	4,499	7,115	5,283
23,200	23,250	3,963	3,083	4,885	3,666	26,200	26,250	4,813	3,762	5,994	4,457	29,200	29,250	5,713	4,512	7,134	5,297
23,250	23,300	3,976	3,094	4,901	3,678	26,250	26,300	4,828	3,774	6,013	4,471	29,250	29,300	5,728	4,524	7,153	5,311
23,300	23,350	3,989	3,105	4,918	3,690	26,300	26,350	4,843	3,787	6,032	4,485	29,300	29,350	5,743	4,537	7,172	5,325
23,350	23,400	4,002	3,116	4,934	3,702	26,350	26,400	4,858	3,799	6,051	4,499	29,350	29,400	5,758	4,549	7,191	5,339
23,400	23,450	4,015	3,127	4,951	3,714	26,400	26,450	4,873	3,812	6,070	4,513	29,400	29,450	5,773	4,562	7,210	5,353
23,450	23,500	4,028	3,138	4,967	3,726	26,450	26,500	4,888	3,824	6,089	4,527	29,450	29,500	5,788	4,574	7,229	5,367
23,500	23,550	4,041	3,149	4,984	3,738	26,500	26,550	4,903	3,837	6,108	4,541	29,500	29,550	5,803	4,587	7,248	5,381
23,550	23,600	4,054	3,160	5,000	3,750	26,550	26,600	4,918	3,849	6,127	4,555	29,550	29,600	5,818	4,599	7,267	5,395
23,600	23,650	4,067	3,171	5,017	3,762	26,600	26,650	4,933	3,862	6,146	4,569	29,600	29,650	5,833	4,612	7,286	5,409
23,650	23,700	4,080	3,182	5,033	3,774	26,650	26,700	4,948	3,874	6,165	4,583	29,650	29,700	5,848	4,624	7,305	5,423
23,700	23,750	4,093	3,193	5,050	3,786	26,700	26,750	4,963	3,887	6,184	4,597	29,700	29,750	5,863	4,637	7,324	5,437
23,750	23,800	4,106	3,204	5,066	3,798	26,750	26,800	4,978	3,899	6,203	4,611	29,750	29,800	5,878	4,649	7,343	5,451
23,800	23,850	4,119	3,215	5,083	3,810	26,800	26,850	4,993	3,912	6,222	4,625	29,800	29,850	5,893	4,662	7,362	5,465
23,850	23,900	4,132	3,226	5,101	3,822	26,850	26,900	5,008	3,924	6,241	4,639	29,850	29,900	5,908	4,674	7,381	5,479
23,900	23,950	4,145	3,237	5,120	3,834	26,900	26,950	5,023	3,937	6,260	4,653	29,900	29,950	5,923	4,687	7,400	5,493
23,950	24,000	4,158	3,248	5,139	3,846	26,950	27,000	5,038	3,949	6,279	4,667	29,950	30,000	5,938	4,699	7,419	5,507
24,000						**27,000**						**30,000**					
24,000	24,050	4,171	3,259	5,158	3,858	27,000	27,050	5,053	3,962	6,298	4,681	30,000	30,050	5,955	4,712	7,438	5,523
24,050	24,100	4,184	3,270	5,177	3,870	27,050	27,100	5,068	3,974	6,317	4,695	30,050	30,100	5,972	4,724	7,457	5,539
24,100	24,150	4,197	3,281	5,196	3,882	27,100	27,150	5,083	3,987	6,336	4,709	30,100	30,150	5,989	4,737	7,476	5,555
24,150	24,200	4,210	3,292	5,215	3,894	27,150	27,200	5,098	3,999	6,355	4,723	30,150	30,200	6,006	4,749	7,495	5,571
24,200	24,250	4,223	3,303	5,234	3,906	27,200	27,250	5,113	4,012	6,374	4,737	30,200	30,250	6,023	4,762	7,514	5,587
24,250	24,300	4,236	3,314	5,253	3,918	27,250	27,300	5,128	4,024	6,393	4,751	30,250	30,300	6,040	4,774	7,533	5,603
24,300	24,350	4,249	3,325	5,272	3,930	27,300	27,350	5,143	4,037	6,412	4,765	30,300	30,350	6,057	4,787	7,552	5,619
24,350	24,400	4,262	3,336	5,291	3,942	27,350	27,400	5,158	4,049	6,431	4,779	30,350	30,400	6,074	4,799	7,571	5,635
24,400	24,450	4,275	3,347	5,310	3,954	27,400	27,450	5,173	4,062	6,450	4,793	30,400	30,450	6,091	4,812	7,590	5,651
24,450	24,500	4,288	3,358	5,329	3,967	27,450	27,500	5,188	4,074	6,469	4,807	30,450	30,500	6,108	4,824	7,609	5,667
24,500	24,550	4,303	3,369	5,348	3,981	27,500	27,550	5,203	4,087	6,488	4,821	30,500	30,550	6,125	4,837	7,628	5,683
24,550	24,600	4,318	3,380	5,367	3,995	27,550	27,600	5,218	4,099	6,507	4,835	30,550	30,600	6,142	4,849	7,647	5,699
24,600	24,650	4,333	3,391	5,386	4,009	27,600	27,650	5,233	4,112	6,526	4,849	30,600	30,650	6,159	4,862	7,666	5,715
24,650	24,700	4,348	3,402	5,405	4,023	27,650	27,700	5,248	4,124	6,545	4,863	30,650	30,700	6,176	4,874	7,685	5,731
24,700	24,750	4,363	3,413	5,424	4,037	27,700	27,750	5,263	4,137	6,564	4,877	30,700	30,750	6,193	4,887	7,704	5,747
24,750	24,800	4,378	3,424	5,443	4,051	27,750	27,800	5,278	4,149	6,583	4,891	30,750	30,800	6,210	4,899	7,723	5,763
24,800	24,850	4,393	3,435	5,462	4,065	27,800	27,850	5,293	4,162	6,602	4,905	30,800	30,850	6,227	4,912	7,742	5,779
24,850	24,900	4,408	3,446	5,481	4,079	27,850	27,900	5,308	4,174	6,621	4,919	30,850	30,900	6,244	4,924	7,761	5,795
24,900	24,950	4,423	3,457	5,500	4,093	27,900	27,950	5,323	4,187	6,640	4,933	30,900	30,950	6,261	4,937	7,780	5,811
24,950	25,000	4,438	3,468	5,519	4,107	27,950	28,000	5,338	4,199	6,659	4,947	30,950	31,000	6,278	4,949	7,799	5,827
25,000						**28,000**						**31,000**					
25,000	25,050	4,453	3,479	5,538	4,121	28,000	28,050	5,353	4,212	6,678	4,961	31,000	31,050	6,295	4,962	7,818	5,843
25,050	25,100	4,468	3,490	5,557	4,135	28,050	28,100	5,368	4,224	6,697	4,975	31,050	31,100	6,312	4,974	7,837	5,859
25,100	25,150	4,483	3,501	5,576	4,149	28,100	28,150	5,383	4,237	6,716	4,989	31,100	31,150	6,329	4,987	7,856	5,875
25,150	25,200	4,498	3,512	5,595	4,163	28,150	28,200	5,398	4,249	6,735	5,003	31,150	31,200	6,346	5,001	7,875	5,891
25,200	25,250	4,513	3,523	5,614	4,177	28,200	28,250	5,413	4,262	6,754	5,017	31,200	31,250	6,363	5,015	7,894	5,907
25,250	25,300	4,528	3,534	5,633	4,191	28,250	28,300	5,428	4,274	6,773	5,031	31,250	31,300	6,380	5,029	7,915	5,923
25,300	25,350	4,543	3,545	5,652	4,205	28,300	28,350	5,443	4,287	6,792	5,045	31,300	31,350	6,397	5,043	7,936	5,939
25,350	25,400	4,558	3,556	5,671	4,219	28,350	28,400	5,458	4,299	6,811	5,059	31,350	31,400	6,414	5,057	7,957	5,955
25,400	25,450	4,573	3,567	5,690	4,233	28,400	28,450	5,473	4,312	6,830	5,073	31,400	31,450	6,431	5,071	7,978	5,971
25,450	25,500	4,588	3,578	5,709	4,247	28,450	28,500	5,488	4,324	6,849	5,087	31,450	31,500	6,448	5,085	7,999	5,987
25,500	25,550	4,603	3,589	5,728	4,261	28,500	28,550	5,503	4,337	6,868	5,101	31,500	31,550	6,465	5,099	8,020	6,003
25,550	25,600	4,618	3,600	5,747	4,275	28,550	28,600	5,518	4,349	6,887	5,115	31,550	31,600	6,482	5,113	8,041	6,019
25,600	25,650	4,633	3,612	5,766	4,289	28,600	28,650	5,533	4,362	6,906	5,129	31,600	31,650	6,499	5,127	8,062	6,035
25,650	25,700	4,648	3,624	5,785	4,303	28,650	28,700	5,548	4,374	6,925	5,143	31,650	31,700	6,516	5,141	8,083	6,051
25,700	25,750	4,663	3,637	5,804	4,317	28,700	28,750	5,563	4,387	6,944	5,157	31,700	31,750	6,533	5,155	8,104	6,067
25,750	25,800	4,678	3,649	5,823	4,331	28,750	28,800	5,578	4,399	6,963	5,171	31,750	31,800	6,550	5,169	8,125	6,083
25,800	25,850	4,693	3,662	5,842	4,345	28,800	28,850	5,593	4,412	6,982	5,185	31,800	31,850	6,567	5,183	8,146	6,099
25,850	25,900	4,708	3,674	5,861	4,359	28,850	28,900	5,608	4,424	7,001	5,199	31,850	31,900	6,584	5,197	8,167	6,115
25,900	25,950	4,723	3,687	5,880	4,373	28,900	28,950	5,623	4,437	7,020	5,213	31,900	31,950	6,601	5,211	8,188	6,131
25,950	26,000	4,738	3,699	5,899	4,387	28,950	29,000	5,638	4,449	7,039	5,227	31,950	32,000	6,618	5,225	8,209	6,147

* This column must also be used by a qualifying widow(er).

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BEST COPY AVAILABLE

1985 Tax Table—*Continued*

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
32,000						**35,000**						**38,000**					
32,000	32,050	6,635	5,239	8,230	6,163	35,000	35,050	7,655	6,079	9,490	7,123	38,000	38,050	8,777	6,989	10,750	8,159
32,050	32,100	6,652	5,253	8,251	6,179	35,050	35,100	7,672	6,093	9,511	7,139	38,050	38,100	8,796	7,005	10,771	8,176
32,100	32,150	6,669	5,267	8,272	6,195	35,100	35,150	7,689	6,107	9,532	7,155	38,100	38,150	8,815	7,022	10,792	8,194
32,150	32,200	6,686	5,281	8,293	6,211	35,150	35,200	7,706	6,121	9,553	7,171	38,150	38,200	8,834	7,038	10,813	8,211
32,200	32,250	6,703	5,295	8,314	6,227	35,200	35,250	7,723	6,135	9,574	7,187	38,200	38,250	8,853	7,055	10,834	8,229
32,250	32,300	6,720	5,309	8,335	6,243	35,250	35,300	7,740	6,149	9,595	7,203	38,250	38,300	8,872	7,071	10,855	8,246
32,300	32,350	6,737	5,323	8,356	6,259	35,300	35,350	7,757	6,163	9,616	7,219	38,300	38,350	8,891	7,088	10,876	8,264
32,350	32,400	6,754	5,337	8,377	6,275	35,350	35,400	7,774	6,177	9,637	7,235	38,350	38,400	8,910	7,104	10,897	8,281
32,400	32,450	6,771	5,351	8,398	6,291	35,400	35,450	7,791	6,191	9,658	7,251	38,400	38,450	8,929	7,121	10,918	8,299
32,450	32,500	6,788	5,365	8,419	6,307	35,450	35,500	7,808	6,205	9,679	7,267	38,450	38,500	8,948	7,137	10,939	8,316
32,500	32,550	6,805	5,379	8,440	6,323	35,500	35,550	7,827	6,219	9,700	7,284	38,500	38,550	8,967	7,154	10,960	8,334
32,550	32,600	6,822	5,393	8,461	6,339	35,550	35,600	7,846	6,233	9,721	7,301	38,550	38,600	8,986	7,170	10,981	8,351
32,600	32,650	6,839	5,407	8,482	6,355	35,600	35,650	7,865	6,247	9,742	7,319	38,600	38,650	9,005	7,187	11,002	8,369
32,650	32,700	6,856	5,421	8,503	6,371	35,650	35,700	7,884	6,261	9,763	7,336	38,650	38,700	9,024	7,203	11,023	8,386
32,700	32,750	6,873	5,435	8,524	6,387	35,700	35,750	7,903	6,275	9,784	7,354	38,700	38,750	9,043	7,220	11,044	8,404
32,750	32,800	6,890	5,449	8,545	6,403	35,750	35,800	7,922	6,289	9,805	7,371	38,750	38,800	9,062	7,236	11,065	8,421
32,800	32,850	6,907	5,463	8,566	6,419	35,800	35,850	7,941	6,303	9,826	7,389	38,800	38,850	9,081	7,253	11,086	8,439
32,850	32,900	6,924	5,477	8,587	6,435	35,850	35,900	7,960	6,317	9,847	7,406	38,850	38,900	9,100	7,269	11,107	8,456
32,900	32,950	6,941	5,491	8,608	6,451	35,900	35,950	7,979	6,331	9,868	7,424	38,900	38,950	9,119	7,286	11,128	8,474
32,950	33,000	6,958	5,505	8,629	6,467	35,950	36,000	7,998	6,345	9,889	7,441	38,950	39,000	9,138	7,302	11,149	8,491
33,000						**36,000**						**39,000**					
33,000	33,050	6,975	5,519	8,650	6,483	36,000	36,050	8,017	6,359	9,910	7,459	39,000	39,050	9,157	7,319	11,170	8,509
33,050	33,100	6,992	5,533	8,671	6,499	36,050	36,100	8,036	6,373	9,931	7,476	39,050	39,100	9,176	7,335	11,191	8,526
33,100	33,150	7,009	5,547	8,692	6,515	36,100	36,150	8,055	6,387	9,952	7,494	39,100	39,150	9,195	7,352	11,212	8,544
33,150	33,200	7,026	5,561	8,713	6,531	36,150	36,200	8,074	6,401	9,973	7,511	39,150	39,200	9,214	7,368	11,233	8,561
33,200	33,250	7,043	5,575	8,734	6,547	36,200	36,250	8,093	6,415	9,994	7,529	39,200	39,250	9,233	7,385	11,254	8,579
33,250	33,300	7,060	5,589	8,755	6,563	36,250	36,300	8,112	6,429	10,015	7,546	39,250	39,300	9,252	7,401	11,275	8,596
33,300	33,350	7,077	5,603	8,776	6,579	36,300	36,350	8,131	6,443	10,036	7,564	39,300	39,350	9,271	7,418	11,296	8,614
33,350	33,400	7,094	5,617	8,797	6,595	36,350	36,400	8,150	6,457	10,057	7,581	39,350	39,400	9,290	7,434	11,317	8,631
33,400	33,450	7,111	5,631	8,818	6,611	36,400	36,450	8,169	6,471	10,078	7,599	39,400	39,450	9,309	7,451	11,338	8,649
33,450	33,500	7,128	5,645	8,839	6,627	36,450	36,500	8,188	6,485	10,099	7,616	39,450	39,500	9,328	7,467	11,359	8,666
33,500	33,550	7,145	5,659	8,860	6,643	36,500	36,550	8,207	6,499	10,120	7,634	39,500	39,550	9,347	7,484	11,380	8,684
33,550	33,600	7,162	5,673	8,881	6,659	36,550	36,600	8,226	6,513	10,141	7,651	39,550	39,600	9,366	7,500	11,401	8,701
33,600	33,650	7,179	5,687	8,902	6,675	36,600	36,650	8,245	6,527	10,162	7,669	39,600	39,650	9,385	7,517	11,422	8,719
33,650	33,700	7,196	5,701	8,923	6,691	36,650	36,700	8,264	6,543	10,183	7,686	39,650	39,700	9,404	7,533	11,443	8,736
33,700	33,750	7,213	5,715	8,944	6,707	36,700	36,750	8,283	6,560	10,204	7,704	39,700	39,750	9,423	7,550	11,464	8,754
33,750	33,800	7,230	5,729	8,965	6,723	36,750	36,800	8,302	6,576	10,225	7,721	39,750	39,800	9,442	7,566	11,485	8,771
33,800	33,850	7,247	5,743	8,986	6,739	36,800	36,850	8,321	6,593	10,246	7,739	39,800	39,850	9,461	7,583	11,506	8,789
33,850	33,900	7,264	5,757	9,007	6,755	36,850	36,900	8,340	6,609	10,267	7,756	39,850	39,900	9,480	7,599	11,527	8,806
33,900	33,950	7,281	5,771	9,028	6,771	36,900	36,950	8,359	6,626	10,288	7,774	39,900	39,950	9,499	7,616	11,548	8,824
33,950	34,000	7,298	5,785	9,049	6,787	36,950	37,000	8,378	6,642	10,309	7,791	39,950	40,000	9,518	7,632	11,569	8,841
34,000						**37,000**						**40,000**					
34,000	34,050	7,315	5,799	9,070	6,803	37,000	37,050	8,397	6,659	10,330	7,809	40,000	40,050	9,537	7,649	11,590	8,859
34,050	34,100	7,332	5,813	9,091	6,819	37,050	37,100	8,416	6,675	10,351	7,826	40,050	40,100	9,556	7,665	11,611	8,876
34,100	34,150	7,349	5,827	9,112	6,835	37,100	37,150	8,435	6,692	10,372	7,844	40,100	40,150	9,575	7,682	11,632	8,894
34,150	34,200	7,366	5,841	9,133	6,851	37,150	37,200	8,454	6,708	10,393	7,861	40,150	40,200	9,594	7,698	11,653	8,911
34,200	34,250	7,383	5,855	9,154	6,867	37,200	37,250	8,473	6,725	10,414	7,879	40,200	40,250	9,613	7,715	11,674	8,929
34,250	34,300	7,400	5,869	9,175	6,883	37,250	37,300	8,492	6,741	10,435	7,896	40,250	40,300	9,632	7,731	11,695	8,946
34,300	34,350	7,417	5,883	9,196	6,899	37,300	37,350	8,511	6,758	10,456	7,914	40,300	40,350	9,651	7,748	11,716	8,964
34,350	34,400	7,434	5,897	9,217	6,915	37,350	37,400	8,530	6,774	10,477	7,931	40,350	40,400	9,670	7,764	11,737	8,981
34,400	34,450	7,451	5,911	9,238	6,931	37,400	37,450	8,549	6,791	10,498	7,949	40,400	40,450	9,689	7,781	11,758	8,999
34,450	34,500	7,468	5,925	9,259	6,947	37,450	37,500	8,568	6,807	10,519	7,966	40,450	40,500	9,708	7,797	11,779	9,016
34,500	34,550	7,485	5,939	9,280	6,963	37,500	37,550	8,587	6,824	10,540	7,984	40,500	40,550	9,727	7,814	11,800	9,034
34,550	34,600	7,502	5,953	9,301	6,979	37,550	37,600	8,606	6,840	10,561	8,001	40,550	40,600	9,746	7,830	11,821	9,051
34,600	34,650	7,519	5,967	9,322	6,995	37,600	37,650	8,625	6,857	10,582	8,019	40,600	40,650	9,765	7,847	11,842	9,069
34,650	34,700	7,536	5,981	9,343	7,011	37,650	37,700	8,644	6,873	10,603	8,036	40,650	40,700	9,784	7,863	11,863	9,086
34,700	34,750	7,553	5,995	9,364	7,027	37,700	37,750	8,663	6,890	10,624	8,054	40,700	40,750	9,803	7,880	11,884	9,104
34,750	34,800	7,570	6,009	9,385	7,043	37,750	37,800	8,682	6,906	10,645	8,071	40,750	40,800	9,822	7,896	11,905	9,121
34,800	34,850	7,587	6,023	9,406	7,059	37,800	37,850	8,701	6,923	10,666	8,089	40,800	40,850	9,841	7,913	11,926	9,139
34,850	34,900	7,604	6,037	9,427	7,075	37,850	37,900	8,720	6,939	10,687	8,106	40,850	40,900	9,860	7,929	11,947	9,156
34,900	34,950	7,621	6,051	9,448	7,091	37,900	37,950	8,739	6,956	10,708	8,124	40,900	40,950	9,879	7,946	11,968	9,174
34,950	35,000	7,638	6,065	9,469	7,107	37,950	38,000	8,758	6,972	10,729	8,141	40,950	41,000	9,898	7,962	11,989	9,191

* This column must also be used by a qualifying widow(er).

Continued on next page

BEST COPY AVAILABLE

1985 Tax Table—*Continued*

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
41,000						**44,000**						**47,000**					
41,000	41,050	9,917	7,979	12,010	9,209	44,000	44,050	11,090	8,969	13,270	10,259	47,000	47,050	12,350	9,959	14,604	11,344
41,050	41,100	9,936	7,995	12,031	9,226	44,050	44,100	11,111	8,985	13,291	10,276	47,050	47,100	12,371	9,975	14,627	11,365
41,100	41,150	9,955	8,012	12,052	9,244	44,100	44,150	11,132	9,002	13,312	10,294	47,100	47,150	12,392	9,992	14,649	11,386
41,150	41,200	9,974	8,028	12,073	9,261	44,150	44,200	11,153	9,018	13,333	10,311	47,150	47,200	12,413	10,008	14,672	11,407
41,200	41,250	9,993	8,045	12,094	9,279	44,200	44,250	11,174	9,035	13,354	10,329	47,200	47,250	12,434	10,025	14,694	11,428
41,250	41,300	10,012	8,061	12,115	9,296	44,250	44,300	11,195	9,051	13,375	10,346	47,250	47,300	12,455	10,041	14,717	11,449
41,300	41,350	10,031	8,078	12,136	9,314	44,300	44,350	11,216	9,068	13,396	10,364	47,300	47,350	12,476	10,058	14,739	11,470
41,350	41,400	10,050	8,094	12,157	9,331	44,350	44,400	11,237	9,084	13,417	10,381	47,350	47,400	12,497	10,074	14,762	11,491
41,400	41,450	10,069	8,111	12,178	9,349	44,400	44,450	11,258	9,101	13,438	10,399	47,400	47,450	12,518	10,091	14,784	11,512
41,450	41,500	10,088	8,127	12,199	9,366	44,450	44,500	11,279	9,117	13,459	10,416	47,450	47,500	12,539	10,107	14,807	11,533
41,500	41,550	10,107	8,144	12,220	9,384	44,500	44,550	11,300	9,134	13,480	10,434	47,500	47,550	12,560	10,124	14,829	11,554
41,550	41,600	10,126	8,160	12,241	9,401	44,550	44,600	11,321	9,150	13,502	10,451	47,550	47,600	12,581	10,140	14,852	11,575
41,600	41,650	10,145	8,177	12,262	9,419	44,600	44,650	11,342	9,167	13,524	10,469	47,600	47,650	12,602	10,157	14,874	11,596
41,650	41,700	10,164	8,193	12,283	9,436	44,650	44,700	11,363	9,183	13,547	10,486	47,650	47,700	12,623	10,174	14,897	11,617
41,700	41,750	10,183	8,210	12,304	9,454	44,700	44,750	11,384	9,200	13,569	10,504	47,700	47,750	12,644	10,193	14,919	11,638
41,750	41,800	10,202	8,226	12,325	9,471	44,750	44,800	11,405	9,216	13,592	10,521	47,750	47,800	12,665	10,212	14,942	11,659
41,800	41,850	10,221	8,243	12,346	9,489	44,800	44,850	11,426	9,233	13,614	10,539	47,800	47,850	12,686	10,231	14,964	11,680
41,850	41,900	10,240	8,259	12,367	9,506	44,850	44,900	11,447	9,249	13,637	10,556	47,850	47,900	12,707	10,250	14,987	11,701
41,900	41,950	10,259	8,276	12,388	9,524	44,900	44,950	11,468	9,266	13,659	10,574	47,900	47,950	12,728	10,269	15,009	11,722
41,950	42,000	10,278	8,292	12,409	9,541	44,950	45,000	11,489	9,282	13,682	10,591	47,950	48,000	12,749	10,288	15,032	11,743
42,000						**45,000**						**48,000**					
42,000	42,050	10,297	8,309	12,430	9,559	45,000	45,050	11,510	9,299	13,704	10,609	48,000	48,050	12,770	10,307	15,054	11,764
42,050	42,100	10,316	8,325	12,451	9,576	45,050	45,100	11,531	9,315	13,727	10,626	48,050	48,100	12,791	10,326	15,077	11,785
42,100	42,150	10,335	8,342	12,472	9,594	45,100	45,150	11,552	9,332	13,749	10,644	48,100	48,150	12,812	10,345	15,099	11,806
42,150	42,200	10,354	8,358	12,493	9,611	45,150	45,200	11,573	9,348	13,772	10,661	48,150	48,200	12,833	10,364	15,122	11,827
42,200	42,250	10,373	8,375	12,514	9,629	45,200	45,250	11,594	9,365	13,794	10,679	48,200	48,250	12,854	10,383	15,144	11,848
42,250	42,300	10,392	8,391	12,535	9,646	45,250	45,300	11,615	9,381	13,817	10,696	48,250	48,300	12,875	10,402	15,167	11,869
42,300	42,350	10,411	8,408	12,556	9,664	45,300	45,350	11,636	9,398	13,839	10,714	48,300	48,350	12,896	10,421	15,189	11,890
42,350	42,400	10,430	8,424	12,577	9,681	45,350	45,400	11,657	9,414	13,862	10,731	48,350	48,400	12,917	10,440	15,212	11,911
42,400	42,450	10,449	8,441	12,598	9,699	45,400	45,450	11,678	9,431	13,884	10,749	48,400	48,450	12,938	10,459	15,234	11,932
42,450	42,500	10,468	8,457	12,619	9,716	45,450	45,500	11,699	9,447	13,907	10,766	48,450	48,500	12,959	10,478	15,257	11,953
42,500	42,550	10,487	8,474	12,640	9,734	45,500	45,550	11,720	9,464	13,929	10,784	48,500	48,550	12,980	10,497	15,279	11,974
42,550	42,600	10,506	8,490	12,661	9,751	45,550	45,600	11,741	9,480	13,952	10,801	48,550	48,600	13,001	10,516	15,302	11,995
42,600	42,650	10,525	8,507	12,682	9,769	45,600	45,650	11,762	9,497	13,974	10,819	48,600	48,650	13,022	10,535	15,324	12,016
42,650	42,700	10,544	8,523	12,703	9,786	45,650	45,700	11,783	9,513	13,997	10,836	48,650	48,700	13,043	10,554	15,347	12,037
42,700	42,750	10,563	8,540	12,724	9,804	45,700	45,750	11,804	9,530	14,019	10,854	48,700	48,750	13,064	10,573	15,369	12,058
42,750	42,800	10,582	8,556	12,745	9,821	45,750	45,800	11,825	9,546	14,042	10,871	48,750	48,800	13,085	10,592	15,392	12,079
42,800	42,850	10,601	8,573	12,766	9,839	45,800	45,850	11,846	9,563	14,064	10,889	48,800	48,850	13,106	10,611	15,414	12,100
42,850	42,900	10,620	8,589	12,787	9,856	45,850	45,900	11,867	9,579	14,087	10,906	48,850	48,900	13,127	10,630	15,437	12,121
42,900	42,950	10,639	8,606	12,808	9,874	45,900	45,950	11,888	9,596	14,109	10,924	48,900	48,950	13,148	10,649	15,459	12,142
42,950	43,000	10,658	8,622	12,829	9,891	45,950	46,000	11,909	9,612	14,132	10,941	48,950	49,000	13,169	10,668	15,482	12,163
43,000						**46,000**						**49,000**					
43,000	43,050	10,677	8,639	12,850	9,909	46,000	46,050	11,930	9,629	14,154	10,959	49,000	49,050	13,190	10,687	15,504	12,184
43,050	43,100	10,696	8,655	12,871	9,926	46,050	46,100	11,951	9,645	14,177	10,976	49,050	49,100	13,211	10,706	15,527	12,205
43,100	43,150	10,715	8,672	12,892	9,944	46,100	46,150	11,972	9,662	14,199	10,994	49,100	49,150	13,232	10,725	15,549	12,226
43,150	43,200	10,734	8,688	12,913	9,961	46,150	46,200	11,993	9,678	14,222	11,011	49,150	49,200	13,253	10,744	15,572	12,247
43,200	43,250	10,754	8,705	12,934	9,979	46,200	46,250	12,014	9,695	14,244	11,029	49,200	49,250	13,274	10,763	15,594	12,268
43,250	43,300	10,775	8,721	12,955	9,996	46,250	46,300	12,035	9,711	14,267	11,046	49,250	49,300	13,295	10,782	15,617	12,289
43,300	43,350	10,796	8,738	12,976	10,014	46,300	46,350	12,056	9,728	14,289	11,064	49,300	49,350	13,316	10,801	15,639	12,310
43,350	43,400	10,817	8,754	12,997	10,031	46,350	46,400	12,077	9,744	14,312	11,081	49,350	49,400	13,337	10,820	15,662	12,331
43,400	43,450	10,838	8,771	13,018	10,049	46,400	46,450	12,098	9,761	14,334	11,099	49,400	49,450	13,358	10,839	15,684	12,352
43,450	43,500	10,859	8,787	13,039	10,066	46,450	46,500	12,119	9,777	14,357	11,116	49,450	49,500	13,379	10,858	15,707	12,373
43,500	43,550	10,880	8,804	13,060	10,084	46,500	46,550	12,140	9,794	14,379	11,134	49,500	49,550	13,400	10,877	15,729	12,394
43,550	43,600	10,901	8,820	13,081	10,101	46,550	46,600	12,161	9,810	14,402	11,155	49,550	49,600	13,421	10,896	15,752	12,415
43,600	43,650	10,922	8,837	13,102	10,119	46,600	46,650	12,182	9,827	14,424	11,176	49,600	49,650	13,442	10,915	15,774	12,436
43,650	43,700	10,943	8,853	13,123	10,136	46,650	46,700	12,203	9,843	14,447	11,197	49,650	49,700	13,463	10,934	15,797	12,457
43,700	43,750	10,964	8,870	13,144	10,154	46,700	46,750	12,224	9,860	14,469	11,218	49,700	49,750	13,484	10,953	15,819	12,478
43,750	43,800	10,985	8,886	13,165	10,171	46,750	46,800	12,245	9,876	14,492	11,239	49,750	49,800	13,505	10,972	15,842	12,499
43,800	43,850	11,006	8,903	13,186	10,189	46,800	46,850	12,266	9,893	14,514	11,260	49,800	49,850	13,526	10,991	15,864	12,520
43,850	43,900	11,027	8,919	13,207	10,206	46,850	46,900	12,287	9,909	14,537	11,281	49,850	49,900	13,547	11,010	15,887	12,541
43,900	43,950	11,048	8,936	13,228	10,224	46,900	46,950	12,308	9,926	14,559	11,302	49,900	49,950	13,568	11,029	15,909	12,562
43,950	44,000	11,069	8,952	13,249	10,241	46,950	47,000	12,329	9,942	14,582	11,323	49,950	50,000	13,589	11,048	15,932	12,583

* This column must also be used by a qualifying widow(er).

50,000 or over—use tax rate schedules

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1985 Tax Rate Schedules

Your zero bracket amount has been built into these Tax Rate Schedules.

Caution: You must use the Tax Table instead of these Tax Rate Schedules if your taxable income is less than $50,000 unless you use **Schedule G,** Income Averaging, to figure your tax. In that case, even if your taxable income is less than $50,000, use the rate schedules on this page to figure your tax.

Schedule X

Single Taxpayers

Use this Schedule if you checked **Filing Status Box 1** on Form 1040—

If the amount on Form 1040, line 37 is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
$0	$2,390	—0—	
2,390	3,540	.....11%	$2,390
3,540	4,580	$126.50 + 12%	3,540
4,580	6,760	251.30 + 14%	4,580
6,760	8,850	556.50 + 15%	6,760
8,850	11,240	870.00 + 16%	8,850
11,240	13,430	1,252.40 + 18%	11,240
13,430	15,610	1,646.60 + 20%	13,430
15,610	18,940	2,082.60 + 23%	15,610
18,940	24,460	2,848.50 + 26%	18,940
24,460	29,970	4,283.70 + 30%	24,460
29,970	35,490	5,936.70 + 34%	29,970
35,490	43,190	7,813.50 + 38%	35,490
43,190	57,550	10,739.50 + 42%	43,190
57,550	85,130	16,770.70 + 48%	57,550
85,130	.....	30,009.10 + 50%	85,130

Schedule Z

Unmarried Heads of Household

(including certain married persons who live apart—see page 5 of the instructions)

Use this schedule if you checked **Filing Status Box 4** on Form 1040—

If the amount on Form 1040, line 37 is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
$0	$2,390	—0—	
2,390	4,580	.....11%	$2,390
4,580	6,760	$240.90 + 12%	4,580
6,760	9,050	502.50 + 14%	6,760
9,050	12,280	823.10 + 17%	9,050
12,280	15,610	1,372.20 + 18%	12,280
15,610	18,940	1,971.60 + 20%	15,610
18,940	24,460	2,637.60 + 24%	18,940
24,460	29,970	3,962.40 + 28%	24,460
29,970	35,490	5,505.20 + 32%	29,970
35,490	46,520	7,271.60 + 35%	35,490
46,520	63,070	11,132.10 + 42%	46,520
63,070	85,130	18,083.10 + 45%	63,070
85,130	112,720	28,010.10 + 48%	85,130
112,720	.....	41,253.30 + 50%	112,720

Schedule Y

Married Taxpayers and Qualifying Widows and Widowers

Married Filing Joint Returns and Qualifying Widows and Widowers

Use this schedule if you checked **Filing Status Box 2 or 5** on Form 1040—

If the amount on Form 1040, line 37 is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
$0	$3,540	—0—	
3,540	5,720	.....11%	$3,540
5,720	7,910	$239.80 + 12%	5,720
7,910	12,390	502.60 + 14%	7,910
12,390	16,650	1,129.80 + 16%	12,390
16,650	21,020	1,811.40 + 18%	16,650
21,020	25,600	2,598.00 + 22%	21,020
25,600	31,120	3,605.60 + 25%	25,600
31,120	36,630	4,985.60 + 28%	31,120
36,630	47,670	6,528.40 + 33%	36,630
47,670	62,450	10,171.60 + 38%	47,670
62,450	89,090	15,788.00 + 42%	62,450
89,090	113,860	26,976.80 + 45%	89,090
113,860	169,020	38,123.30 + 49%	113,860
169,020	.....	65,151.70 + 50%	169,020

Married Filing Separate Returns

Use this schedule if you checked **Filing Status Box 3** on Form 1040—

If the amount on Form 1040, line 37 is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
$0	$1,770	—0—	
1,770	2,860	.....11%	$1,770
2,860	3,955	$119.90 + 12%	2,860
3,955	6,195	251.30 + 14%	3,955
6,195	8,325	564.90 + 16%	6,195
8,325	10,510	905.70 + 18%	8,325
10,510	12,800	1,299.00 + 22%	10,510
12,800	15,560	1,802.80 + 25%	12,800
15,560	18,315	2,492.80 + 28%	15,560
18,315	23,835	3,264.20 + 33%	18,315
23,835	31,225	5,085.80 + 38%	23,835
31,225	44,545	7,894.00 + 42%	31,225
44,545	56,930	13,488.40 + 45%	44,545
56,930	84,510	19,061.65 + 49%	56,930
84,510	.....	32,575.85 + 50%	84,510

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1985 Optional State Sales Tax Tables

(If you kept records that show you paid more sales tax than the table for your state indicates, you may claim the higher amount on Schedule A, line 8a.)

Your itemized deduction for general sales tax paid can be estimated from these tables plus any qualifying sales taxes paid on the items listed on page 20.

To use the tables:

Step 1—Figure your total available income. Use the total of the amount on Form 1040, line 33, and nontaxable income such as veterans' benefits, workers' compensation, nontaxable part of unemployment compensation or long-term capital gains (however, do not include gains that are nontaxable because they were reinvested in similar property, such as a principal residence), nontaxable part of social security and railroad retirement benefits, dividend's exclusion, deduction for a married couple when both work, and public assistance payments.

Step 2—Count the number of exemptions for you and your family. Do not count exemptions claimed for being 65 or over or blind as part of your family size.

Step 3 A—If your total available income is not over $40,000, find the income line for your state on the tables and read across to find the amount of sales tax for your family size.

Step 3 B—If your income is over $40,000 but not over $100,000, find the deduction listed on the income line "$38,001-$40,000" for your family size and state. For each $5,000 (or part of $5,000) of income over $40,000, increase the deduction by the amount listed for the line "$40,001-$100,000."

Step 3 C—If your income is over $100,000, your sales tax deduction is limited to the deduction for income of $100,000. To figure your sales tax deduction, use Step 3 B, but don't go over $100,000.

Income	Alabama [1]						Arizona [2]						Arkansas [1]						California [3]				Colorado [2]				Connecticut [4]				Dist. of Columbia					
	Family size					Over	Family size					Over	Family size					Over	Family size			Over	Family size			Over	Family size			Over	Family size					Over
	1	2	3	4	5	5	1&2	3	4	5	5		1	2	3	4	5	5	1&2	3&4	5	5	1&2	3&4	5	5	1&2	3&4	5	5	1	2	3	4	5	5
$1-$8,000	91	113	120	130	141	160	105	120	120	127	133		102	127	134	143	153	173	125	147	155	164	43	51	54	57	107	118	124	125	94	112	125	125	132	140
$8,001-$10,000	107	129	140	151	164	185	124	142	142	150	157		119	145	156	167	178	199	147	173	183	193	50	61	64	68	127	141	148	150	110	129	145	146	155	164
$10,001-$12,000	121	144	159	171	185	207	141	162	163	171	179		135	161	176	188	201	223	167	198	208	219	57	70	74	78	146	163	171	173	125	145	164	166	177	186
$12,001-$14,000	135	158	176	190	204	227	157	181	183	192	200		150	176	195	208	222	245	186	220	232	243	64	78	83	87	163	184	152	195	139	159	182	186	197	206
$14,001-$16,000	148	170	192	207	223	246	173	199	203	211	219		164	190	212	227	242	266	204	242	255	266	70	86	91	95	180	204	213	216	152	173	198	205	216	225
$16,001-$18,000	160	182	208	224	240	265	187	217	222	229	238		177	203	229	245	261	285	222	263	276	288	76	94	99	103	196	224	232	236	165	186	213	273	234	244
$18,001-$20,000	172	193	222	240	257	282	201	233	240	247	256		189	215	245	262	279	304	238	282	297	309	82	101	107	111	212	243	251	256	177	198	228	240	252	261
$20,001-$22,000	183	204	236	255	273	298	215	249	258	264	274		201	226	260	279	296	321	254	301	317	330	87	108	115	119	227	261	270	275	189	210	242	256	268	278
$22,001-$24,000	194	214	250	269	288	314	228	265	275	281	291		213	237	275	295	313	338	270	320	336	349	92	115	122	127	242	279	288	294	200	221	256	272	284	294
$24,001-$26,000	204	224	263	283	303	329	241	280	292	297	307		224	248	289	310	329	355	285	338	355	368	97	122	129	134	256	296	305	312	211	232	269	287	300	310
$26,001-$28,000	214	234	276	297	317	344	253	295	308	313	323		235	258	303	325	344	371	299	355	373	386	102	129	136	141	270	313	322	330	222	242	282	302	315	325
$28,001-$30,000	224	243	289	310	331	358	265	309	324	328	338		246	268	316	339	359	386	313	372	391	404	107	135	143	148	284	330	339	347	232	252	295	317	330	340
$30,001-$32,000	234	252	301	323	344	372	277	323	340	343	353		256	278	329	353	374	401	327	389	408	422	112	141	150	155	297	346	355	364	242	262	307	332	345	354
$32,001-$34,000	244	261	313	336	357	385	289	337	355	358	368		266	287	342	367	388	415	341	405	425	439	117	147	156	162	310	362	371	381	252	272	319	346	359	368
$34,001-$36,000	253	269	324	348	370	398	300	350	370	372	382		276	296	354	380	402	429	354	421	441	455	122	153	162	168	323	378	387	397	262	281	330	360	373	382
$36,001-$38,000	262	277	335	360	383	411	311	363	385	386	396		286	305	366	393	416	443	367	436	457	471	126	159	168	174	335	393	402	413	271	290	341	373	387	396
$38,001-$40,000	271	285	346	372	395	423	322	376	399	400	410		295	313	377	405	429	456	380	451	473	487	130	165	174	180	347	408	417	429	280	299	352	386	400	409
$40,001-$100,000 (See Step 3B)	14	14	17	19	20	21	16	19	20	20	21		15	16	19	20	21	23	19	23	24	24	7	8	9	9	17	20	21	21	14	15	18	19	20	20

Income	Florida [1]						Georgia [1]						Hawaii						Idaho						Illinois [5]				Indiana			
	Family size					Over	Family size					Over	Family size					Over	Family size					Over	Family size			Over	Family size			Over
	1&2	3	4	5	5		1	2	3	4	5	5	1&2	3	4	5	5	5	1	2	3	4	5	5	1&2	3&4	5	5	1&2	3&4	5	5
$1-$8,000	104	123	123	130	139		82	103	110	116	125	141	158	180	183	190	204		91	111	119	129	141	159	136	162	173	184	117	139	148	157
$8,001-$10,000	124	145	146	155	164		95	117	127	135	145	161	181	206	209	219	235		107	127	139	151	164	184	159	190	203	215	137	163	173	183
$10,001-$12,000	142	166	168	178	187		107	130	143	152	163	180	201	228	234	245	263		122	142	158	170	185	206	180	216	230	243	156	186	197	207
$12,001-$14,000	159	186	189	200	209		118	141	157	167	179	198	220	249	256	269	288		136	156	175	189	204	227	200	240	256	270	173	207	219	230
$14,001-$16,000	176	204	210	221	230		129	152	171	182	195	214	238	268	277	292	312		149	168	191	206	222	246	219	264	280	295	189	227	240	252
$16,001-$18,000	192	222	229	241	250		139	162	184	196	210	229	254	286	297	313	335		161	180	206	223	239	264	237	286	303	318	205	246	260	272
$18,001-$20,000	207	239	248	260	269		149	171	196	209	224	244	270	303	315	333	356		173	191	220	239	256	281	254	307	326	341	220	264	279	291
$20,001-$22,000	222	255	267	278	288		158	180	208	222	237	258	285	319	333	352	377		185	202	234	254	272	298	270	327	347	363	234	282	298	310
$22,001-$24,000	236	271	285	296	306		167	189	219	234	250	271	299	335	350	371	397		196	212	248	268	287	314	286	347	367	384	248	299	316	328
$24,001-$26,000	250	287	302	314	324		176	198	230	246	262	283	313	350	366	389	416		206	222	261	282	301	329	302	366	387	404	261	316	333	346
$26,001-$28,000	264	302	319	331	341		184	206	240	258	274	295	326	364	382	406	434		217	231	274	296	315	344	317	385	407	424	274	332	350	363
$28,001-$30,000	277	317	336	348	357		192	213	250	269	286	307	339	378	397	423	451		227	240	286	309	329	358	331	403	426	443	287	347	366	379
$30,001-$32,000	290	331	353	364	373		200	220	260	280	297	319	351	391	412	439	468		237	249	298	322	343	372	345	421	444	461	299	362	382	395
$32,001-$34,000	303	345	369	380	389		208	227	270	290	308	330	363	404	426	454	485		247	257	310	335	356	385	359	438	462	479	311	377	397	411
$34,001-$36,000	315	359	385	396	405		215	234	279	300	319	341	375	416	440	469	501		256	266	321	347	369	398	373	455	479	497	323	392	412	426
$36,001-$38,000	327	373	400	412	420		222	241	288	310	330	352	386	428	454	484	517		265	274	332	359	381	411	386	471	496	514	334	406	427	441
$38,001-$40,000	339	386	415	427	435		229	247	297	320	340	362	397	440	467	499	533		274	282	343	371	393	423	399	487	513	531	345	420	442	456
$40,001-$100,000 (See Step 3B)	17	19	21	21	22		11	12	15	16	17	18	20	22	23	25	27		14	14	17	19	20	21	20	24	26	27	17	21	22	23

Income	Iowa				Kansas [1]						Kentucky				Louisiana [6]				Maine [7]				Maryland					Massachusetts [8]		
	Family size			Over	Family size					Over	Family size			Over	Family size			Over	Family size			Over	Family size				Over	Family size		Over
	1&2	3,4&5		5	1	2	3	4	5	5	1&2	3&4	5	5	1&2	3&4	5	5	1&2	3&4	5	5	1&2	3	4	5	5	1&2		2
$1-$8,000	96	107	115		72	90	95	102	108	122	91	104	109	117	76	86	89	94	93	105	110	115	80	90	90	94	98	58		63
$8,001-$10,000	113	127	136		85	104	112	120	127	142	108	124	130	138	90	103	107	112	110	125	131	136	95	108	108	113	118	69		76
$10,001-$12,000	129	146	155		96	116	127	136	144	160	124	143	150	157	104	119	124	129	126	144	150	157	110	125	125	131	136	79		89
$12,001-$14,000	144	164	173		107	128	141	151	160	177	138	161	168	176	117	134	140	145	141	162	169	176	124	141	143	149	154	89		101
$14,001-$16,000	158	181	191		117	138	155	165	176	193	152	178	186	193	129	149	155	161	155	179	187	194	137	157	160	166	171	98		113
$16,001-$18,000	172	197	207		126	148	168	179	191	208	165	195	203	210	141	163	170	176	169	196	204	211	150	172	177	182	188	107		124
$18,001-$20,000	185	212	223		135	158	180	192	205	222	178	211	219	226	153	177	184	190	182	212	220	228	163	186	193	198	203	116		135
$20,001-$22,000	198	227	239		144	167	192	205	219	236	190	226	235	241	164	190	198	204	195	227	236	244	175	200	209	213	219	124		146
$22,001-$24,000	210	242	254		153	176	203	217	232	249	202	241	250	256	175	203	211	217	208	242	252	260	187	214	225	228	234	132		157
$24,001-$26,000	222	256	268		161	184	214	229	245	262	214	256	265	271	186	215	224	230	220	257	267	275	198	227	240	243	249	140		168
$26,001-$28,000	233	270	282		169	192	225	240	257	274	225	270	280	285	196	227	237	243	232	272	282	290	209	240	255	257	263	148		178
$28,001-$30,000	244	284	296		177	200	235	251	269	286	236	284	294	299	206	239	250	256	243	286	297	305	220	253	270	271	278	155		188
$30,001-$32,000	255	297	309		185	208	245	262	281	298	247	298	308	312	216	251	263	268	254	300	312	319	231	265	285	285	292	162		198
$32,001-$34,000	266	310	322		192	215	255	273	293	309	258	312	322	325	226	263	275	280	265	314	326	333	242	277	299	299	305	169		208
$34,001-$36,000	277	323	335		199	222	265	284	304	320	268	325	336	338	236	275	287	292	276	328	340	347	253	289	313	313	319	176		217
$36,001-$38,000	287	336	348		206	229	275	294	315	330	278	338	349	351	245	286	299	304	287	341	354	361	263	301	327	327	332	183		227
$38,001-$40,000	297	348	360		212	236	284	304	325	340	288	351	362	363	254	297	310	315	297	354	367	374	273	313	341	341	345	190		236
$40,001-$100,000 (See Step 3B)	15	17	18		11	12	14	15	16	17	14	18	18	18	13	15	16	16	15	18	18	19	14	16	17	17	17	10		12

[1] Local sales taxes are not included. Add an amount based on the ratio between the local and state sales tax rates, considering the number of months each rate has been in effect.

[2] Local sales taxes are not included. Add the amount paid.

[3] The 1¼ percent local sales tax is included. If a ½ of 1 percent local sales tax for transportation is paid all year (Alameda, Contra Costa, Los Angeles, San Francisco, San Mateo, and Santa Cruz counties), add 8 percent of the table amounts. For Santa Clara county, add 15 percent of the table amounts.

[4] Sales tax paid on clothing purchased after March 31, 1985, may be added to the table amounts.

[5] Includes the sales tax on electricity, natural gas and telephone. The Illinois table is based on a combined 6 percent rate (5 state, 1 local). Residents of: Du Page, Kane, Lake, McHenry and Will counties may add 5 percent; Cook county may add 19 percent; Chicago may add an additional 19 percent of the table amount. For other local sales tax, see footnote 1.

[6] If your local sales tax applies to food for home consumption, check your local newspaper during mid-January for the correct deduction. Otherwise, see footnote 1.

[7] Sales tax paid on purchase of electricity of 750 KWH or more per month may be added to the table amounts.

[8] Sales tax paid on the purchase of any single item of clothing for $175 or more may be added to the table amounts.

[9] Sales tax paid on purchases of natural gas or electricity may be added to the table amounts. For local sales tax, see footnote 1.

[10] Local sales taxes are not included. If paid all year, add 26 percent of the table amount for each 1 percent of local sales tax rate. Otherwise, use a proportionate amount. For N.Y. City, add 107 percent of the table amount.

(Footnotes continued on next page)

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1985 Optional State Sales Tax Tables—Continued

Income	Michigan				Minnesota [9]		Mississippi						Missouri [1]						Nebraska [1]				Nevada [1]				New Jersey	
	Family size			Over	Family size	Over	Family size					Over	Family size					Over	Family size			Over	Family size			Over	Family size	Over
	1&2	3&4	5	5	1&2	2	1	2	3	4	5	5	1	2	3	4	5	5	1&2	3&4	5	5	1&2	3&4	5	5	1&2	2
$1-$8,000	88	102	108	113	86	99	167	201	215	227	242	271	100	120	127	136	147	165	73	83	88	92	94	106	111	115	76	83
$8,001-$10,000	103	121	127	133	101	118	194	231	250	264	282	313	118	138	149	159	171	191	85	99	104	108	112	128	134	138	91	101
$10,001-$12,000	118	138	145	151	115	136	220	257	282	298	318	350	134	155	168	180	193	214	97	113	118	123	129	148	154	159	105	118
$12,001-$14,000	131	154	161	168	129	152	244	282	312	330	352	385	149	170	187	200	214	235	108	127	132	138	145	167	174	179	118	134
$14,001-$16,000	144	169	177	184	142	168	266	304	340	360	383	418	163	184	204	219	233	256	119	140	146	151	160	186	193	199	131	150
$16,001-$18,000	156	184	192	199	154	183	287	326	367	388	413	449	177	197	221	236	251	275	129	152	159	164	174	204	211	217	144	165
$18,001-$20,000	168	198	207	214	166	198	308	346	392	415	442	478	190	209	237	253	269	293	138	164	171	177	188	221	229	235	156	180
$20,001-$22,000	180	211	221	228	177	212	327	365	416	441	470	506	203	221	252	269	286	310	147	175	183	189	202	238	246	253	167	194
$22,001-$24,000	191	224	234	241	188	226	346	384	440	466	496	533	215	233	267	285	302	327	156	186	194	200	215	254	263	270	178	208
$24,001-$26,000	202	237	247	254	198	240	364	401	462	490	522	559	227	244	281	300	317	343	165	197	205	211	228	270	279	287	189	222
$26,001-$28,000	212	249	260	267	208	253	382	418	484	513	547	584	238	254	295	315	332	358	173	207	216	222	241	286	295	303	200	236
$28,001-$30,000	222	261	272	280	218	266	399	435	506	536	571	608	249	264	308	329	347	373	181	217	227	233	253	301	311	319	211	249
$30,001-$32,000	232	273	284	292	228	279	416	451	527	558	594	631	260	274	321	343	361	388	189	227	237	244	265	316	326	335	221	262
$32,001-$34,000	242	284	296	304	238	291	432	467	547	580	617	654	271	284	334	357	375	402	197	237	247	254	277	331	341	350	231	275
$34,001-$36,000	252	295	308	316	247	303	448	482	566	601	639	676	282	293	347	370	389	416	204	247	257	264	288	346	356	365	241	288
$36,001-$38,000	261	306	319	327	256	315	463	497	585	622	661	698	292	302	359	383	402	429	211	256	267	274	299	360	371	380	251	301
$38,001-$40,000	270	317	330	338	265	327	478	511	604	642	682	719	302	311	371	395	415	442	218	265	276	283	310	374	385	394	261	313
$40,001-$100,000 (See Step 3B)	14	16	17	17	13	16	24	26	30	32	34	36	15	16	19	20	21	22	11	13	14	14	16	19	19	20	13	16

Income	New Mexico [1]						New York [10]				North Carolina [11]						North Dakota [1]				Ohio [1]				Oklahoma [1]						Pennsylvania	
	Family size					Over	Family size			Over	Family size					Over	Family size			Over	Family size			Over	Family size					Over	Family size	Over
	1	2	3	4	5	5	1&2	3&4	5	5	1	2	3	4	5	5	1&2	3&4	5	5	1&2	3&4	5	5	1	2	3	4	5	5	1&2	2
$1-$8,000	117	144	150	155	165	184	86	99	103	108	111	132	146	156	167	190	73	85	88	94	90	102	107	112	74	89	95	100	108	121	77	86
$8,001-$10,000	136	164	174	181	193	213	103	118	123	128	129	157	170	181	194	218	87	101	105	111	107	122	128	134	87	102	110	117	126	140	92	103
$10,001-$12,000	153	183	197	206	219	240	118	136	141	147	146	174	191	204	218	243	99	116	121	127	123	141	147	154	99	114	125	133	142	157	106	120
$12,001-$14,000	169	200	217	228	242	265	132	152	159	165	162	190	211	225	240	267	111	131	136	141	138	159	166	172	110	125	139	148	157	173	120	136
$14,001-$16,000	184	216	237	249	265	288	146	168	176	182	177	205	229	245	261	288	123	145	150	155	153	176	184	191	121	136	152	162	172	188	133	151
$16,001-$18,000	198	231	255	269	286	310	159	183	192	198	191	219	247	264	281	309	134	158	164	169	167	193	201	208	131	146	164	175	185	203	145	166
$18,001-$20,000	211	245	273	289	306	331	172	198	208	214	205	232	264	282	300	328	144	171	177	182	180	209	217	225	141	155	175	187	198	216	157	180
$20,001-$22,000	224	259	290	307	326	351	184	212	223	229	218	244	280	299	318	347	154	184	190	194	193	225	233	241	150	164	186	199	211	229	169	194
$22,001-$24,000	236	272	306	325	345	371	196	226	238	244	230	256	296	316	335	364	164	196	203	206	206	240	248	257	159	172	197	211	223	242	180	207
$24,001-$26,000	248	284	321	342	363	389	208	240	252	258	242	268	311	332	352	381	173	208	215	218	218	255	263	272	168	180	208	222	235	254	191	220
$26,001-$28,000	260	296	336	359	380	407	219	253	266	272	254	279	325	347	368	398	182	219	227	230	230	269	278	287	176	188	218	233	246	265	202	233
$28,001-$30,000	271	308	351	375	397	425	230	266	280	286	265	289	339	362	384	414	191	230	239	241	242	283	293	302	184	196	228	244	257	276	213	246
$30,001-$32,000	282	319	365	391	414	442	241	278	293	299	276	299	353	377	400	429	200	241	250	252	253	297	307	316	192	203	238	255	268	287	223	259
$32,001-$34,000	293	330	379	407	430	459	252	290	309	312	287	309	366	391	415	444	209	252	261	263	264	311	321	330	200	210	247	265	279	298	233	271
$34,001-$36,000	304	341	393	422	446	475	262	302	316	325	298	319	379	405	429	458	217	263	272	273	275	324	334	344	208	217	256	275	289	308	243	283
$36,001-$38,000	314	351	406	437	462	491	272	314	332	337	308	328	392	419	443	472	225	273	283	283	286	337	347	357	216	224	265	285	299	318	253	295
$38,001-$40,000	323	361	419	451	477	506	282	326	345	349	318	337	404	432	457	486	233	283	293	293	297	350	360	370	223	230	273	294	308	328	263	306
$40,001-$100,000 (See Step 3B)	16	18	21	23	24	25	14	15	17	17	16	17	20	22	23	24	12	14	15	15	15	18	18	19	11	12	14	15	15	16	13	15

Income	Rhode Island		South Carolina						South Dakota [2]						Tennessee [1]						Texas [1]				Utah [12]					
	Family size	Over	Family size					Over	Family size					Over	Family size					Over	Family size			Over	Family size					Over
	1&2	2	1	2	3	4	5	5	1	2	3	4	5	5	1	2	3	4	5	5	1&2	3&4	5	5	1	2	3	4	5	5
$1-$8,000	88	94	119	144	153	163	177	200	110	133	140	149	162	182	138	165	174	187	199	225	78	90	97	103	136	164	173	184	197	223
$8,001-$10,000	104	113	139	164	178	190	204	229	129	153	164	174	188	210	162	189	204	218	232	260	92	108	115	122	160	188	202	216	230	257
$10,001-$12,000	120	131	158	182	201	214	229	256	147	171	185	198	213	235	184	212	231	247	262	291	106	124	132	139	181	210	229	244	260	289
$12,001-$14,000	134	148	175	199	222	236	253	280	164	188	205	219	235	259	204	232	256	273	290	320	118	139	148	156	202	230	254	271	288	318
$14,001-$16,000	148	164	191	214	241	257	275	303	181	203	224	239	257	281	224	251	280	298	317	348	130	154	163	172	221	249	277	296	314	345
$16,001-$18,000	161	180	206	229	260	277	295	324	196	218	242	259	277	302	243	269	302	322	342	373	142	168	178	187	239	267	300	320	340	371
$18,001-$20,000	174	196	221	243	277	296	315	345	211	232	259	277	296	322	261	286	324	345	366	398	153	182	192	201	256	284	321	343	364	395
$20,001-$22,000	187	211	235	256	294	315	334	364	225	245	276	295	315	341	278	303	345	367	389	421	164	195	206	215	273	300	342	365	387	418
$22,001-$24,000	199	225	248	268	311	332	352	383	239	258	292	312	333	360	294	318	365	389	411	443	174	208	220	229	289	315	362	387	409	441
$24,001-$26,000	210	239	261	280	327	349	369	401	252	271	308	329	351	377	310	333	384	409	432	465	184	220	233	242	305	330	381	407	431	462
$26,001-$28,000	221	253	274	292	342	366	386	418	265	283	323	346	368	394	326	348	403	429	453	486	194	232	246	255	320	344	399	427	452	483
$28,001-$30,000	232	267	286	303	357	382	402	434	278	294	338	362	385	411	341	362	421	448	473	506	204	244	258	267	335	358	417	447	472	504
$30,001-$32,000	243	281	298	314	371	397	418	450	290	305	353	377	401	427	356	376	439	467	493	526	213	256	270	279	350	371	435	466	492	523
$32,001-$34,000	254	294	310	325	385	412	433	466	302	316	367	392	417	443	371	389	457	485	512	545	222	267	282	291	364	384	452	484	511	542
$34,001-$36,000	265	307	322	335	399	427	448	481	314	327	381	407	432	458	385	402	474	503	531	563	231	278	294	303	378	397	469	502	530	561
$36,001-$38,000	276	320	333	345	412	442	463	496	326	337	395	422	447	473	399	414	490	521	549	581	240	289	305	315	391	409	485	520	548	579
$38,001-$40,000	286	333	344	354	425	456	477	511	337	347	408	436	462	487	412	426	506	538	567	599	248	300	316	326	404	421	501	537	566	597
$40,001-$100,000 (See Step 3B)	14	17	17	18	21	23	24	26	17	17	20	22	23	24	21	21	25	27	28	30	12	15	16	16	20	21	25	27	28	30

Income	Vermont						Virginia [13]						Washington [14]				West Virginia				Wisconsin [15]				Wyoming [1]					
	Family size					Over	Family size					Over	Family size			Over	Family size			Over	Family size			Over	Family size					Over
	1	2	3	4	5	5	1	2	3	4	5	5	1&2	3&4	5	5	1&2	3&4	5	5	1&2	3&4	5	5	1	2	3	4	5	5
$1-$8,000	46	52	61	61	64	68	88	111	117	127	137	156	136	154	156	165	105	119	123	130	103	115	119	125	81	98	104	109	117	132
$8,001-$10,000	54	62	72	72	76	81	104	127	137	148	159	179	162	185	189	198	125	142	147	154	123	137	142	149	95	112	121	127	136	152
$10,001-$12,000	62	71	82	83	88	93	118	141	155	166	179	200	187	214	219	230	143	164	170	177	141	158	164	171	107	125	136	144	153	170
$12,001-$14,000	70	79	92	94	99	104	131	154	171	184	197	220	210	242	248	259	160	184	192	199	158	178	185	192	119	136	151	159	169	187
$14,001-$16,000	78	87	101	105	110	114	143	167	187	201	215	238	232	268	277	288	176	204	212	220	175	197	205	212	130	147	164	173	184	202
$16,001-$18,000	85	95	110	115	120	124	155	178	202	216	231	255	254	293	304	315	192	223	232	240	191	216	224	231	140	157	176	187	198	217
$18,001-$20,000	92	102	119	125	130	134	166	189	216	231	247	271	274	318	330	341	207	241	251	259	206	233	242	250	150	167	188	200	212	231
$20,001-$22,000	98	109	127	135	140	143	177	199	230	245	262	286	294	342	356	367	222	258	270	278	220	251	260	268	159	176	200	213	225	244
$22,001-$24,000	104	116	135	145	149	152	188	209	243	259	276	301	314	365	381	392	236	275	288	296	234	268	278	285	168	185	211	225	237	257
$24,001-$26,000	110	123	143	154	158	161	198	219	256	273	290	315	333	388	405	417	250	292	306	313	248	284	295	302	177	193	222	236	249	269
$26,001-$28,000	116	129	150	163	167	169	208	228	268	286	304	329	351	410	429	441	264	308	323	330	262	300	312	318	186	201	232	247	261	281
$28,001-$30,000	122	135	157	172	176	178	218	237	280	298	317	342	369	432	453	464	277	324	340	347	275	316	328	334	194	209	242	258	273	293
$30,001-$32,000	128	141	164	181	185	186	227	246	292	310	330	355	387	453	476	487	290	340	357	363	288	331	344	350	202	216	252	269	284	304
$32,001-$34,000	134	147	171	190	194	194	236	254	303	322	342	368	405	474	499	510	303	355	373	379	301	346	360	366	210	223	261	280	294	315
$34,001-$36,000	140	153	178	198	202	202	245	262	314	334	354	380	422	495	522	532	315	370	389	395	313	361	375	381	218	230	270	290	304	326
$36,001-$38,000	145	159	185	206	210	210	254	270	325	345	366	391	439	515	544	554	327	385	405	411	325	376	390	396	226	237	279	300	314	336
$38,001-$40,000	150	164	191	214	218	218	263	277	336	356	378	402	455	535	566	575	339	399	420	426	337	390	405	410	233	244	288	310	324	346
$40,001-$100,000 (See Step 3B)	8	8	10	11	11	11	13	14	17	18	19	20	23	27	28	29	17	20	21	21	17	20	20	21	12	12	14	16	16	17

[11] The North Carolina table is based on a combined 4½ percent rate (3 state, 1½ local). If the ½ of 1 percent local sales tax is not paid, subtract 10 percent of the table amount.

[12] Local ⅙'s of 1 percent sales tax is included. If the ¼ of 1 percent county sales tax for transportation is paid all year, add 5 percent of the table amount. Otherwise, see footnote 1.

[13] Local 1 percent sales tax is included.

[14] The Washington table is based on a combined 7 percent rate (6.5 state, 0.5 local). For local sales tax, in addition to the ½ of 1 percent included in the table, see footnote 1.

[15] Sales tax paid on the purchase of natural gas or electricity (May through October) may be added to the table amounts.

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How To Use Tele-Tax Information

Recorded Tax Information

IRS has recorded about 150 topics of tax information that answer many Federal tax questions. You can hear up to three topics on each call you make.

Automated Refund Information is available at selected locations after March 15. If it has been 10 weeks since you mailed your 1985 tax return, we will be able to check the status of your refund.

Tele-Tax is not a toll-free call. Long-distance charges apply if you call from outside the local dialing area of the numbers listed below. A complete list of these topics and instructions on how to use Tele-Tax are on the next page.

***Note:** Cities with a **1** or **2** before them only have Recorded Tax Information. Cities with a **1** before them can be called only if you have a push-button (tone signalling) phone. Cities with a **2** before them can be called if you have a rotary (dial) or push-button (pulse dial) phone. Cities with a **3** before them have Recorded Tax Information and Automated Refund Information and can be called by using any type of phone.*

ALABAMA
1 Birmingham, 251-9454
2 Birmingham, 251-3881
1 Huntsville, 534-5203
1 Mobile, 433-6993
1 Montgomery, 262-8304

ALASKA
1 Anchorage, 562-1848
3 Anchorage, 561-7417

ARIZONA
3 Phoenix, 252-4909
1 Tucson, 624-9042

ARKANSAS
1 Little Rock, 372-3891
3 Little Rock, 374-3117

CALIFORNIA
1 Bakersfield, 861-4105
1 Carson, 632-3555
1 El Monte, 571-6902
1 Fresno, 268-5395
3 Laguna Niguel, 643-4246
3 Los Angeles, 617-3177
3 Oakland, 839-4245
1 Oxnard, 485-7236
1 Riverside, 351-6769
1 Sacramento, 448-4367
3 Sacramento, 448-4556
1 San Diego, 293-5020
1 San Francisco, 863-4039
1 San Jose, 293-5606
3 San Jose, 279-0576
1 Santa Ana, 836-2974
1 Santa Maria, 928-7503
1 Santa Rosa, 528-6233
1 Stockton, 463-6005
1 Van Nuys, 904-6393
1 Visalia, 733-8194

COLORADO
1 Colorado Springs, 597-6344
3 Denver, 592-1118
1 Ft. Collins, 221-0658

CONNECTICUT
1 Bridgeport, 335-0070
1 Hartford, 547-0015
2 Hartford, 247-5500
1 New Haven, 777-4594
1 Waterbury, 754-4235

DELAWARE
1 Dover, 674-1118
1 Wilmington, 652-0272
3 Wilmington, 571-1097

DISTRICT of COLUMBIA
3 Call 628-2929

FLORIDA
1 Daytona Beach, 253-0669
1 Ft. Lauderdale, 523-3100
3 Jacksonville, 353-9579
1 Miami, 374-5144
2 Miami, 372-0397
1 Orlando, 422-0592
2 Orlando, 843-0762
1 St. Petersburg, 578-0424
1 Tallahassee, 222-0807
1 Tampa, 229-0815
1 West Palm Beach, 655-1996

GEORGIA
1 Albany, 435-1415
3 Atlanta, 331-6572
1 Augusta, 722-9068
1 Columbus, 327-0298
1 Macon, 745-2890
1 Savannah, 355-9632

HAWAII
1 Honolulu, 546-7162
3 Honolulu, 946-4100

IDAHO
1 Boise, 383-0034
3 Boise, 344-8628

ILLINOIS
1 Aurora, 851-2718
1 Bloomington, 828-6116
1 Champaign, 398-1779
3 Chicago, 886-9614
1 East St. Louis, 875-4050
1 Ottawa, 433-1568
1 Peoria, 637-9305
1 Quad Cities, 326-1720
1 Rockford, 987-4280
1 Springfield, 789-0489
3 Springfield, 753-0316

INDIANA
1 Evansville, 422-1026
1 Fort Wayne, 484-3065
1 Gary, 884-4465
3 Indianapolis, 634-1550
1 South Bend, 232-5459

IOWA
1 Cedar Rapids, 399-2210
1 Des Moines, 284-4271
3 Des Moines, 284-4050
1 Quad Cities, 326-1720
1 Waterloo, 234-0817

KANSAS
1 Wichita, 264-3147
3 Wichita, 262-4454

KENTUCKY
1 Erlanger, 727-3338
1 Lexington, 233-2889
1 Louisville, 582-5599
2 Louisville, 582-6372

LOUISIANA
1 New Orleans, 529-2854
2 New Orleans, 589-4620

MAINE
2 Augusta, 623-3854
1 Portland, 775-0465

MARYLAND
3 Baltimore, 244-7306
1 Cumberland, 722-5331
1 Frederick, 663-5798
1 Hagerstown, 733-6815
1 Salisbury, 742-9458

MASSACHUSETTS
3 Boston, 523-8602
1 Springfield, 739-6624

MICHIGAN
1 Ann Arbor, 665-4544
3 Detroit, 961-4282
1 Flint, 238-4599
1 Grand Rapids, 451-2034
1 Kalamazoo, 343-0255
1 Lansing, 372-2454
1 Mt. Clemens, 463-9550
1 Pontiac, 858-2336
1 Saginaw, 753-9911

MINNESOTA
1 Duluth, 722-5494
1 Rochester, 288-5595
3 St. Paul, 224-4288

MISSISSIPPI
1 Gulfport, 863-3302
1 Jackson, 960-4168
3 Jackson, 960-4808

MISSOURI
1 Jefferson City, 636-8312
1 Kansas City, 421-3741
1 Springfield, 883-3419
3 St. Louis, 241-4700

MONTANA
1 Billings, 656-1422
1 Great Falls, 727-4902
1 Helena, 443-7034
3 Helena, 443-0600

NEBRASKA
1 Lincoln, 471-5450
1 Omaha, 221-3324
3 Omaha, 345-8224

NEVADA
1 Las Vegas, 385-1778
3 Las Vegas, 388-6925

NEW HAMPSHIRE
1 Manchester, 623-5778
2 Portsmouth, 431-0780

NEW JERSEY
1 Atlantic City, 348-2636
1 Camden, 966-3412
1 Hackensack, 487-1817
3 Newark, 624-1223
1 Paterson, 278-5442
1 Trenton, 599-2150

NEW MEXICO
1 Albuquerque, 766-1102
3 Albuquerque, 243-4557

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2 Albany, 465-3566
1 Binghamton, 722-8426
3 Brooklyn, 858-4461
3 Buffalo, 856-9320
3 Manhattan, 406-4080
1 Mineola, 248-6790
1 Poughkeepsie, 452-1877
1 Rochester, 454-3330
1 Smithtown, 979-0720
1 Syracuse, 471-1630
1 White Plains, 683-0134

NORTH CAROLINA
1 Asheville, 254-3044
1 Charlotte, 567-9885
1 Durham, 541-5283
1 Fayetteville, 483-0735
1 Greensboro, 378-1572
2 Greensboro, 379-1168
1 Raleigh, 755-1498
1 Winston-Salem, 725-3013

NORTH DAKOTA
1 Bismarck, 258-8210
1 Fargo, 232-9360
3 Fargo, 232-1070
1 Grand Forks, 746-0324
1 Minot, 838-1234

OHIO
1 Akron, 253-1170
1 Canton, 455-6061
3 Cincinnati, 421-0329
3 Cleveland, 522-3037
1 Columbus, 469-2266
1 Dayton, 225-7237
1 Lima, 224-0341
1 Mansfield, 525-3474
1 Toledo, 255-3743
1 Youngstown, 744-4200

OKLAHOMA
1 Oklahoma City, 235-3434
3 Oklahoma City, 235-4907
1 Tulsa, 599-0555

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1 Eugene, 687-6737
3 Portland, 294-5363
1 Salem, 399-5784

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1 Bethlehem, 861-0325
1 Erie, 459-7419
1 Harrisburg, 236-1356
1 Jenkintown, 887-1261
1 Lancaster, 392-0980
1 Norristown, 275-0242
3 Philadelphia, 592-8946
1 Pittsburgh, 281-3120
2 Pittsburgh, 281-3138
1 Reading, 373-4568
1 Scranton, 961-0325
1 Wilkes-Barre, 823-9552
1 Williamsport, 323-4242

PUERTO RICO
1 & 2 Call 753-4055

RHODE ISLAND
1 Providence, 861-5220
2 Providence, 521-6440

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1 Charleston, 722-0369
1 Columbia, 254-4749
3 Columbia, 799-8169
1 Greenville, 235-8093

SOUTH DAKOTA
3 Aberdeen, 229-6856
1 Brookings, 692-4507
1 Rapid City, 348-3454
1 Sioux Falls, 335-7081
1 Watertown, 882-4979

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1 Chattanooga, 892-5577
1 Jackson, 664-1858
1 Johnson City, 282-1917
1 Knoxville, 521-7478
1 Memphis, 525-2611
3 Nashville, 242-1541

TEXAS
1 Austin, 479-0391
3 Austin, 478-6422
3 Dallas, 767-1792
1 El Paso, 778-9907
1 Ft. Worth, 334-3888
3 Houston, 850-8801
1 San Antonio, 680-9591

UTAH
1 Salt Lake City, 355-9328
3 Salt Lake City, 359-9218

VERMONT
1 Burlington, 658-0007
2 Burlington, 658-1149

VIRGINIA
3 Bailey's Crossroads, 557-0034
1 Bristol, 669-0565
1 Danville, 797-2223
1 Norfolk, 441-3623
1 Richmond, 771-2369
2 Richmond, 771-2165
1 Roanoke, 982-6062

WASHINGTON
3 Seattle, 343-7221
1 Spokane, 455-9213
1 Tacoma, 383-4668

WEST VIRGINIA
1 Charleston, 343-3597
1 Huntington, 523-0104
3 Parkersburg, 422-4011

WISCONSIN
1 Eau Claire, 834-6121
1 Green Bay, 433-3884
1 Madison, 264-5349
3 Milwaukee, 291-1783
1 Racine 886-1615

WYOMING
1 Cheyenne, 634-1198
3 Cheyenne, 638-6109

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How To Use Tele-Tax

Recorded Tax Information

1. Select, by number, the topic you wish to hear.
2. Have paper and pencil handy to take notes.
3. Call the appropriate phone number.
4. • If you have a push-button (tone signalling) phone, follow the recorded instructions, or
   • If you have a rotary (dial) or push-button (pulse dial) phone, ask the IRS operator for the topic number you want to hear.
5. • Push-button (tone signalling) service is available 24 hours a day, 7 days a week.
   • Rotary (dial)/push-button (pulse dial) service is available Monday through Friday during regular office hours. (In Hawaii, from 6:30 A.M. to 1:00 P.M.)

Automated Refund Information

1. Have a copy of your tax return available since you will need to know the first social security number shown on your return, the filing status, and the exact amount of your refund.
2. Call the appropriate phone number.
3. Follow the recorded instructions.
4. • Push-button (tone signalling) service is available Monday through Friday from 6:30 A.M. to 7 P.M. (Hours may vary in your area.)
   • Rotary (dial)/push-button (pulse dial) service is available Monday through Friday during regular office hours. (In Hawaii, from 6:30 A.M. to 1:00 P.M.)

Tele-Tax Topic Numbers and Subjects

Topic No.	Subject
	IRS Procedures and Services
100	IRS help available—Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
101	Tax assistance for handicapped individuals and the deaf
102	Small business tax workshops—Tax help for the new business person
103	Problem resolution program—Special help for problem situations
104	Public libraries—Tax information tapes and reproducible tax forms
105	Examination procedures and how to prepare for an audit
106	The collection process
107	Tax fraud—How to report
108	Special enrollment examination to practice before IRS
109	Organizations—How to apply for exempt status
	Filing Requirements, Filing Status, Exemptions
110	Who must file?
111	Which form—1040, 1040A, or 1040EZ?
112	When, where, and how to file
113	Filing requirements for a dependent child
114	Filing as single
115	Filing joint or separate
116	Filing as head of household
117	Filing as qualifying widow/widower
118	Filing status for separated individuals
119	Exemptions for age and blindness
120	Dependent—Who can be claimed?
121	Dependent child—Divorced or separated parents
122	Dependent—Items to include in determining support
126	Estimated tax
127	Amended returns
128	Decedents
	Types of Income
130	Wages and salaries
131	Tips
132	Interest received
133	Dividends and dividend exclusion
134	Refund of state and local taxes
135	Alimony received
136	Business income
137	Sole proprietorship
138	Capital gains and losses
139	Pensions and annuities
140	Pensions—The general rule
141	Lump-sum distributions—Profit-sharing plans
143	Rental income and expenses
200	Renting vacation property/Renting to relatives
201	Royalties
202	Farming and fishing income
203	Earnings for clergy members
204	Unemployment compensation
205	Gambling income and expenses
206	Bartering income
207	Scholarships, fellowships, and grants
208	Nontaxable income
209	Social security and tier 1 railroad retirement taxability
210	Social Security Benefit Statement-Form SSA-1099
	Adjustments to Income
211	Charitable contributions deduction for those who do not itemize
212	Deduction for married couples when both work
213	Moving expenses
214	Employee business expenses
215	Business use of car
216	Business travel expenses
217	Business entertainment expenses
218	Individual retirement accounts (IRA's)
219	Alimony paid
225	Bad debt deduction
226	Tax shelters
	Itemized Deductions
227	Should I itemize?
228	Medical and dental expenses
229	Medical insurance
231	Taxes
232	Sales tax
233	Interest expense
234	Contributions
235	Casualty losses
236	Miscellaneous expenses
237	Office-in-the-home expenses
238	Educational expenses
	Tax Computation
240	Tax table/Tax rate schedules
243	Tax and credits figured by IRS
244	Income averaging
300	Self-employment tax
301	Ten-year averaging for lump-sum distributions
303	Alternative minimum tax
304	Gift tax
305	Estate tax
	Tax Credits
306	Child care credit
307	Earned income credit
308	Residential energy credit
309	Credit for the elderly and the permanently and totally disabled
310	Tax credit for contributions to candidates for public office
311	Investment credit
312	Qualified royalty owners exemption (windfall profit tax)
	General Information
314	Substitute tax forms
315	Highlights of 1985 tax changes
316	Refunds—How long they should take
317	Copy of your tax return—How to get one
318	Forms/Publications—How to order
319	Tax shelter registration
320	Extensions for time to file your tax return
325	Form W-2—What to do if not received
327	IRS notices and bills/Penalty and interest charges
328	Tax benefits for low income Americans
329	Penalty for underpayment of estimated tax—Form 2210
330	Recordkeeping
331	How to choose a tax preparer
332	Audit appeal rights
333	Failure to pay child/spousal support
335	Withholding on interest and dividends
336	Highway use tax
337	Checklist/Common errors when preparing your tax return
338	Withholding on pensions and annuities
339	Your tax form is overdue—Let us hear from you
340	Second request for information about your tax form
341	Notice of intent to levy
342	Notice of underreported income—CP2000
	Basis of Assets, Depreciation, Sale of Assets
343	Sale of personal residence—General
344	Sale of personal residence—How to report gain
400	Sale of personal residence—Exclusion of gain, age 55 and over
401	Basis of assets
402	Depreciation—General
403	Depreciation—Accelerated cost recovery system
404	Installment sales
	Employer Tax Information
406	Social security withholding rates
407	Form W-2—Where, when and how to file
408	Form W-4—Employee's Withholding Allowance Certificate
409	Federal tax deposits—General
410	Employer identification number—How to apply
411	Paying taxes on your employees
412	Form 942—Employer's Quarterly Tax Return for Household Employees
413	Form 941—Deposit requirements
414	Form 941—Employer's Quarterly Federal Tax Return
415	Form 940—Deposit requirements
416	Form 940—Employer's Annual Federal Unemployment Tax Return
417	Targeted jobs credit
418	Tips—Withholding and reporting
	Tax Information for Aliens and U.S. Citizens Living Abroad
420	Resident and nonresident aliens
425	Dual-status alien
426	Alien tax clearance
428	Foreign earned income exclusion—General
429	Foreign earned income exclusion—Who qualifies?
430	Foreign earned income exclusion—What income qualifies?
431	Foreign tax credit
	The following topics are in Spanish
433	Who must file?
434	Which form to use?
435	Filing status—Single, married filing jointly, and married filing separately
436	Filing status—Head of household and qualifying widow/ widower
437	Earned income credit
438	Highlights of 1985 tax changes
439	Forms and publications—How to order
440	Alien tax clearance
441	Refunds—How long they should take
442	IRS help available— Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
443	Social security and tier 1 railroad retirement taxability
444	Social Security Benefit Statement—Form SSA-1099

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Privacy Act and Paperwork Reduction Act Notice

The Privacy Act of 1974 and Paperwork Reduction Act of 1980 say that when we ask you for information, we must tell you: our legal right to ask for the information; what major purposes we have in asking for it and how it will be used; what could happen if we do not receive it; and whether your response is voluntary, required to obtain a benefit, or mandatory under the law.

For the Internal Revenue Service, the laws include tax returns and any papers filed with them and any questions we need to ask you so we can complete, correct, or process your return; figure your tax; and collect tax, interest, or penalties.

Our legal right to ask for information is Internal Revenue Code sections 6001 and 6011 and their regulations. They say that you must file a return or statement with us for any tax you are liable for. Your response is mandatory under these sections. Code section 6109 and its regulations say that you must show your social security number on what you file. This is so we know who you are, and can process your return and papers. You must fill in all parts of the tax form that apply to you. But you do not have to check the boxes for the Presidential Election Campaign Fund.

We ask for tax return information to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax.

We may give the information to the Department of Justice and to other Federal agencies, as provided by law. We may also give it to states, the District of Columbia, and U.S. commonwealths or possessions to carry out their tax laws. And we may give it to foreign governments because of tax treaties they have with the United States.

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, the law provides that you may be charged penalties and, in certain cases, you may be subject to criminal prosecution. We may also have to disallow the exemptions, exclusions, credits, deductions, or adjustments shown on the tax return. This could make the tax higher or delay any refund. Interest may also be charged.

Please keep this notice with your records. It may help you if we ask you for other information. If you have questions about the rules for filing and giving information, please call or visit any Internal Revenue Service office.

1985 Earned Income Credit Table

Caution: This is Not a Tax Table

To find your earned income credit: Read down the column titled "If line 3 or 4 of the worksheet is—" and find the appropriate amount from the Earned Income Credit Worksheet on page 16. Read across to the right and find the amount of the earned income credit. Enter that amount on line 5 or 6 of the worksheet, whichever applies.

If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—
Over	But not over		Over	But not over		Over	But not over		Over	But not over		Over	But not over	
$0	$50	$3	$2,000	$2,050	$223	$4,000	$4,050	$443	$7,450	$7,500	$431	$9,450	$9,500	$186
50	100	8	2,050	2,100	228	4,050	4,100	448	7,500	7,550	425	9,500	9,550	180
100	150	14	2,100	2,150	234	4,100	4,150	454	7,550	7,600	419	9,550	9,600	174
150	200	19	2,150	2,200	239	4,150	4,200	459	7,600	7,650	413	9,600	9,650	168
200	250	25	2,200	2,250	245	4,200	4,250	465	7,650	7,700	406	9,650	9,700	162
250	300	30	2,250	2,300	250	4,250	4,300	470	7,700	7,750	400	9,700	9,750	156
300	350	36	2,300	2,350	256	4,300	4,350	476	7,750	7,800	394	9,750	9,800	150
350	400	41	2,350	2,400	261	4,350	4,400	481	7,800	7,850	388	9,800	9,850	144
400	450	47	2,400	2,450	267	4,400	4,450	487	7,850	7,900	382	9,850	9,900	138
450	500	52	2,450	2,500	272	4,450	4,500	492	7,900	7,950	376	9,900	9,950	131
500	550	58	2,500	2,550	278	4,500	4,550	498	7,950	8,000	370	9,950	10,000	125
550	600	63	2,550	2,600	283	4,550	4,600	503	8,000	8,050	364	10,000	10,050	119
600	650	69	2,600	2,650	289	4,600	4,650	509	8,050	8,100	358	10,050	10,100	113
650	700	74	2,650	2,700	294	4,650	4,700	514	8,100	8,150	351	10,100	10,150	107
700	750	80	2,700	2,750	300	4,700	4,750	520	8,150	8,200	345	10,150	10,200	101
750	800	85	2,750	2,800	305	4,750	4,800	525	8,200	8,250	339	10,200	10,250	95
800	850	91	2,800	2,850	311	4,800	4,850	531	8,250	8,300	333	10,250	10,300	89
850	900	96	2,850	2,900	316	4,850	4,900	536	8,300	8,350	327	10,300	10,350	83
900	950	102	2,900	2,950	322	4,900	4,950	542	8,350	8,400	321	10,350	10,400	76
950	1,000	107	2,950	3,000	327	4,950	5,000	547	8,400	8,450	315	10,400	10,450	70
1,000	1,050	113	3,000	3,050	333	5,000	6,500	550	8,450	8,500	309	10,450	10,500	64
1,050	1,100	118	3,050	3,100	338	6,500	6,550	547	8,500	8,550	303	10,500	10,550	58
1,100	1,150	124	3,100	3,150	344	6,550	6,600	541	8,550	8,600	296	10,550	10,600	52
1,150	1,200	129	3,150	3,200	349	6,600	6,650	535	8,600	8,650	290	10,600	10,650	46
1,200	1,250	135	3,200	3,250	355	6,650	6,700	529	8,650	8,700	284	10,650	10,700	40
1,250	1,300	140	3,250	3,300	360	6,700	6,750	523	8,700	8,750	278	10,700	10,750	34
1,300	1,350	146	3,300	3,350	366	6,750	6,800	516	8,750	8,800	272	10,750	10,800	28
1,350	1,400	151	3,350	3,400	371	6,800	6,850	510	8,800	8,850	266	10,800	10,850	21
1,400	1,450	157	3,400	3,450	377	6,850	6,900	504	8,850	8,900	260	10,850	10,900	15
1,450	1,500	162	3,450	3,500	382	6,900	6,950	498	8,900	8,950	254	10,900	10,950	9
1,500	1,550	168	3,500	3,550	388	6,950	7,000	492	8,950	9,000	248	10,950	10,999	3
1,550	1,600	173	3,550	3,600	393	7,000	7,050	486	9,000	9,050	241			
1,600	1,650	179	3,600	3,650	399	7,050	7,100	480	9,050	9,100	235			
1,650	1,700	184	3,650	3,700	404	7,100	7,150	474	9,100	9,150	229	**$11,000 or more—you cannot take the credit**		
1,700	1,750	190	3,700	3,750	410	7,150	7,200	468	9,150	9,200	223			
1,750	1,800	195	3,750	3,800	415	7,200	7,250	461	9,200	9,250	217			
1,800	1,850	201	3,800	3,850	421	7,250	7,300	455	9,250	9,300	211			
1,850	1,900	206	3,850	3,900	426	7,300	7,350	449	9,300	9,350	205			
1,900	1,950	212	3,900	3,950	432	7,350	7,400	443	9,350	9,400	199			
1,950	2,000	217	3,950	4,000	437	7,400	7,450	437	9,400	9,450	193			

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To Call IRS Toll-Free for Answers to Your Federal Tax Questions, Use Only the Number Listed Below for Your Area

Caution: *"Toll-free" is a telephone call for which you pay only local charges with no long-distance charge. Please use a local city number only if it is not a long-distance call for you. Otherwise, use the general toll-free number given.*

We are happy to answer questions to help you prepare your return. But you should know that you are responsible for the accuracy of your return. If we do make an error, you are still responsible for the payment of the correct tax.

To make sure that IRS employees give courteous responses and correct information to taxpayers, a second IRS employee sometimes listens in on telephone calls. No record is kept of any taxpayer's name, address, or social security number.

If you find it necessary to write instead of calling, please address your letter to your IRS District Director for a prompt reply. Make sure you include your social security number or taxpayer identifying number when you write.

The IRS has a telephone service called Tele-Tax. It provides automated refund information and recorded tax information on about 150 topics covering such areas as filing requirements, dependents, itemized deductions, and tax credits. Tele-Tax is available 24 hours a day, 7 days a week, to taxpayers using push-button (tone signalling) telephones, and Monday through Friday, during office hours, to taxpayers using push-button (pulse dial) or rotary (dial) phones. See Tele-Tax Information in the index for the page numbers that contain telephone numbers, available topics, and instructions describing how to use this service.

ALABAMA
Call 1-800-424-1040

ALASKA
Anchorage, 561-7484
Elsewhere in Alaska, call operator and ask for Zenith 3700

ARIZONA
Phoenix, 257-1233

ARKANSAS
Call 1-800-424-1040

CALIFORNIA
Please call the telephone number shown in the white pages of your local telephone directory under U.S. Government, Internal Revenue Service, Federal Tax Assistance.

COLORADO
Denver, 825-7041

CONNECTICUT
Call 1-800-424-1040

DELAWARE
Wilmington, 573-6400

DISTRICT of COLUMBIA
Call 488-3100

FLORIDA
Jacksonville, 354-1760

GEORGIA
Atlanta, 522-0050

HAWAII
Oahu, 546-8660
All other islands, 1-800-232-2511

IDAHO
Call 1-800-424-1040

ILLINOIS
Chicago, 435-1040

INDIANA
Indianapolis, 269-5477

IOWA
Des Moines, 283-0523

KANSAS
Call 1-800-424-1040

KENTUCKY
Call 1-800-424-1040

LOUISIANA
Call 1-800-424-1040

MAINE
Call 1-800-424-1040

MARYLAND
Baltimore, 962-2590
Montgomery County, 488-3100
Prince George's County, 488-3100

MASSACHUSETTS
Boston, 523-1040

MICHIGAN
Detroit, 237-0800

MINNESOTA
Minneapolis, 291-1422
St. Paul, 291-1422

MISSISSIPPI
Call 1-800-424-1040

MISSOURI
St. Louis, 342-1040

MONTANA
Call 1-800-424-1040

NEBRASKA
Omaha, 422-1500

NEVADA
Call 1-800-424-1040

NEW HAMPSHIRE
Call 1-800-424-1040

NEW JERSEY
Newark, 622-0600

NEW MEXICO
Call 1-800-424-1040

NEW YORK
Bronx, 732-0100
Brooklyn, 596-3770
Buffalo, 855-3955
Manhattan, 732-0100
Nassau, 222-1131
Queens, 596-3770
Rockland County, 997-1510
Staten Island, 732-0100
Suffolk, 724-5000
Westchester County, 997-1510

NORTH CAROLINA
Greensboro, 274-3711

NORTH DAKOTA
Call 1-800-424-1040

OHIO
Cincinnati, 621-6281
Cleveland, 522-3000

OKLAHOMA
Call 1-800-424-1040

OREGON
Eugene, 485-8286
Portland, 221-3960
Salem, 581-8721

PENNSYLVANIA
Philadelphia, 574-9900
Pittsburgh, 281-0112

PUERTO RICO
San Juan Metro Area, 753-4040
Isla DDD, 753-4549

RHODE ISLAND
Call 1-800-424-1040

SOUTH CAROLINA
Call 1-800-424-1040

SOUTH DAKOTA
Call 1-800-424-1040

TENNESSEE
Nashville, 259-4601

TEXAS
Austin, 472-1974
Corpus Christi, 888-9431
Dallas, 742-2440
El Paso, 532-6116
Ft. Worth, 263-9229
Houston, 965-0440
San Antonio, 229-1700

UTAH
Call 1-800-424-1040

VERMONT
Call 1-800-424-1040

VIRGINIA
Bailey's Crossroads, 557-9230
Richmond, 649-2361

WASHINGTON
Seattle, 442-1040

WEST VIRGINIA
Call 1-800-424-1040

WISCONSIN
Milwaukee, 271-3780

WYOMING
Call 1-800-424-1040

Note: If there is no number listed for your specific area, please call 1-800-424-1040.

Telephone Assistance Services for Deaf Taxpayers Who Have Access to TV / Telephone—TTY Equipment.

Hours of Operation

8:00 A.M. to 6:45 P.M. EST (Filing Season)

8:00 A.M. to 4:30 P.M. EST (Nonfiling Season)

Indiana residents, 1-800-382-4059

Elsewhere in U.S., including Alaska, Hawaii, Virgin Islands, and Puerto Rico, 1-800-428-4732

Toll-Free "Forms Only" Telephone Numbers

If you only need to order tax forms and publications and do not have any tax questions, please call the number listed below for your area.

ALASKA
Anchorage, 563-5313
Elsewhere in Alaska, call operator and ask for Zenith 3700

ARIZONA
Phoenix, 257-9722
Tucson, 882-0730

CALIFORNIA
Please call the telephone number shown in the white pages of your local telephone directory under U.S. Government, Internal Revenue Service, Federal Tax Assistance.

COLORADO
Denver, 825-7041

GEORGIA
Atlanta, 331-6023

HAWAII
Honolulu, 546-7300
All other islands, 1-800-232-2511

ILLINOIS
Chicago, 435-1040

INDIANA
Indianapolis, 269-5477

IOWA
Des Moines, 283-0523

MICHIGAN
Detroit, 237-0794

MINNESOTA
St. Paul, 224-7461

MISSOURI
Kansas City, 421-2330
St. Louis, 231-6505

NEBRASKA
Omaha, 221-3321

OHIO
Cincinnati, 621-6281
Cleveland, 522-3000

OREGON
Eugene, 485-8286
Portland, 221-3933
Salem, 581-8721

PUERTO RICO
San Juan Metro Area, 753-4040
Isla DDD, 753-4549

TEXAS
Austin, 472-1974
Corpus Christi, 888-9431
Dallas, 742-2440
El Paso, 532-6116
Ft. Worth, 263-9229
Houston, 965-0440
San Antonio, 229-1700

VIRGINIA
Richmond, 329-1052

WASHINGTON
Seattle, 442-5100

WISCONSIN
Milwaukee, 291-3244

Note: If there is no number listed for your state or specific area, please call **1-800-424-FORM (3676).**

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How To Get Forms

Generally, we mail forms and schedules directly to you based on what seems to be right for you. Schedules and forms you may need are listed below.

To save time, you can get the following items at many participating banks, post offices, and public libraries, or order them from IRS:

Form 1040, U.S. Individual Income Tax Return
Instructions for Form 1040

Form 1040A
Instructions for Form 1040A

Form 1040EZ
Instructions for Form 1040EZ

Schedule A for itemized deductions

Schedule B for interest income if more than $400; for dividends and other distributions on stock if more than $400; and for answering the Foreign Accounts or Foreign Trusts Questions

Schedule W for the deduction for a married couple when both work

You can photocopy the following items (as well as those listed above) at many participating public libraries or order them from IRS:

Schedule C, Profit or (Loss) From Business or Profession

Schedule D, Capital Gains and Losses and Reconciliation of Forms 1099-B

Schedule E, Supplemental Income Schedule

Schedule F, Farm Income and Expenses

Schedule G, Income Averaging

Schedule R, Credit for the Elderly and the Permanently and Totally Disabled

Schedule SE, Computation of Social Security Self-Employment Tax

Form1040-ES, Estimated Tax for Individuals

Form 2106, Employee Business Expenses

Form 2119, Sale or Exchange of Principal Residence

Form 2210, Underpayment of Estimated Tax by Individuals

Form 2441, Credit for Child and Dependent Care Expenses

Form 3468, Computation of Investment Credit

Form 3903, Moving Expense Adjustment

Form 4136, Computation of Credit for Federal Tax on Gasoline and Special Fuels

Form 4562, Depreciation and Amortization

Form 4684, Casualties and Thefts

Form 4797, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions

Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return

Form 5695, Residential Energy Credit

Form 8283, Noncash Charitable Contributions

Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents

How To Get Publications

You can read or photocopy the following publications at many participating public libraries or order them from IRS:

17 Your Federal Income Tax

54 Tax Guide for U.S. Citizens and Resident Aliens Abroad

334 Tax Guide for Small Business

463 Travel, Entertainment, and Gift Expenses

501 Exemptions

502 Medical and Dental Expenses

503 Child and Dependent Care Credit, and Employment Taxes for Household Employers

504 Tax Information for Divorced or Separated Individuals

505 Tax Withholding and Estimated Tax

506 Income Averaging

508 Educational Expenses

521 Moving Expenses

523 Tax Information on Selling Your Home

524 Credit for the Elderly and the Permanently and Totally Disabled

525 Taxable and Nontaxable Income

526 Charitable Contributions

527 Rental Property

529 Miscellaneous Deductions

530 Tax Information for Owners of Homes, Condominiums, and Cooperative Apartments

531 Reporting Income From Tips

533 Self-Employment Tax

545 Interest Expense

547 Nonbusiness Disasters, Casualties, and Thefts

550 Investment Income and Expenses

552 Recordkeeping for Individuals and a List of Tax Publications

553 Highlights of 1985 Tax Changes

554 Tax Information for Older Americans

575 Pension and Annuity Income

583 Information for Business Taxpayers

587 Business Use of Your Home

590 Individual Retirement Arrangements (IRAs)

596 Earned Income Credit

903 Energy Credits for Individuals

905 Tax Information on Unemployment Compensation

907 Tax Information for Handicapped and Disabled Individuals

910 Taxpayer's Guide to IRS Information, Assistance and Publications

915 Tax Information on Social Security Benefits (and Tier 1 Railroad Retirement Benefits)

Other publications and forms referred to in the instructions are also available without cost from the "Forms Distribution Center" for your state.

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Where To Send Your Order for Free Forms and Publications

Please send your order to the "Forms Distribution Center" for your state. If there is more than one Center for your state, send the order to the Center nearest you.

Alabama—Caller No. 848, Atlanta, GA 30370
Alaska—P.O. Box 12626, Fresno, CA 93778
Arizona—P.O. Box 2924, Austin, TX 78769
Arkansas—P.O. Box 6900, Florence, KY 41042
California—P.O. Box 12626, Fresno, CA 93778
Colorado—P.O. Box 2924, Austin, TX 78769
Connecticut—P.O. Box 25866, Richmond, VA 23260
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